

EUROPEAN NEWS

Hungarian officials dither as economy faces collapse

By Nicholas Denton in Budapest

A BITTER struggle between key economic officials is paralysing Hungary's government, as the deadline approaches for action to stave off economic crisis next year. Opposition by cabinet conservatives to radical finance ministry proposals has already delayed an economic programme by nearly two months. A vague document has been released but the details are still hotly debated.

High world market prices for its Soviet-supplied oil, which come into effect at the start of 1991, will add to the problems

of collapsing Hungarian exports to other east European countries and this year's drought, threatening to plunge the economy into recession. "On New Year's Eve we are going to lose 4 to 5 per cent of GDP overnight," said Mr Gyorgy Suranyi, President of the Hungarian National Bank.

The government has only a few weeks in which to agree on measures to avert "intolerable" current account and budget deficits in 1991 as a result of the shock, according to Mr Suranyi.

However, he added that clear differences between government economists meant that no decision had been made yet. An internal government study, based on the optimistic assumption of an oil price of \$20 a barrel, predicts that the current account will deteriorate from a healthy balance this year to a \$1bn deficit the next, representing 2.5 per cent of GDP. The budget deficit in 1991 could grow from this year's target of Ft10bn (\$86m) to Ft35 to \$5bn, about \$1bn. Estimates by academics of the

1991 deficit are nearly double those of the government. Officials doubt whether the International Monetary Fund would countenance the relaxation of this year's tight targets to fully accommodate next year's shock.

Maintaining this year's performance would imply subsidy cuts, in turn boosting inflation from its current annual 27 per cent. Mr Suranyi said inflation could touch 40 to 50 per cent during the first quarter of 1991.

Accord with the IMF is essential, said Mr Suranyi, to

avoid a repeat of this year's liquidity crisis. But "first we must reach agreement within the government, with parliament, and then with the IMF," he added.

The deadline is in four to five weeks, according to Mr Suranyi. By then the government needs to complete its budget package of 1991 subsidy cuts, the basis of a three-year programme for economic recovery. Upon that depends a crucial three-year agreement with the IMF. "This is the first and last chance for the govern-

Bonn concern over Paris defence stance

By David Marsh in Bonn

THE Bonn government has expressed concern over France's refusal to discuss the establishment of multinational Nato forces in Germany in coming years.

Officials close to Chancellor Helmut Kohl say the French stance is hindering western efforts to put defence policy on to a new footing.

They say that Germany's support for changing Nato into a more political organisation should make it easier for France eventually to integrate its forces with the rest of the alliance.

However, so far the French government has shown "very little in the way of a new concept" to renew the basis of western military co-operation to take account of the unification of Germany, one official said.

Britain and the US have supported the idea of multinational forces as a way of keeping sizeable western contingents on German soil after the Soviet Union withdraws its troops completely from east Germany in 1994. Both the US and Britain are preparing troop withdrawals from west Germany, with the US announcing last month that 60,000 of its 250,000 forces in Germany will be pulled out during the next few years.

However, both countries have made clear their desire to keep some forces on German soil over the longer term. The Bonn government was accordingly displeased that President Francois Mitterrand confirmed at the Franco-German summit in Munich last month that France's 48,000 troops in southwest Germany were to be fully withdrawn in coming

years.

Yet it was agreed at the summit that half the French forces would be pulled out in the next few years under a so far undefined timetable.

In spite of the new spirit of partnership with Moscow, the Bonn-Chancellor's Office believes that the Soviet Union will remain a "risk" in military terms for Germany because of its 12,000 nuclear warheads and the country's internal political problems.

Officials say that the mutual non-aggression clause in the German-Soviet co-operation treaty, to be signed here when President Gorbachev comes to Germany next month, is meant as an "instrument" to reduce this risk, rather than to remove it altogether.

The French government has made no public criticism of the German-Soviet co-operation treaty. But it has privately indicated to the German authorities its surprise at the inclusion of the mutual non-aggression clause in the treaty, and it has made plain to the Soviet authorities that there could be no question of repeating such a clause in the Franco-Soviet co-operation treaty which has been under discussion.

Article 3 of the German-Soviet treaty states that the two countries "will refrain from any threat or use of force which is directed against the territorial integrity or political independence of the other side."

It adds that "if either side should become the object of an attack, the other side will not afford any military support or other assistance to the aggressor."

First electoral test for Greek conservatives' rigorous policies

By Kerin Hope in Athens

THE prospect of a winter marked by rigorous economic austerity may well have a stronger influence on Greek voters in Sunday's local elections than traditional party political rivalries.

The poll will be the first test for Mr Constantine Mitsotakis's conservative government, elected last April with a majority of one seat.

Since then, economic pressures have forced the government to disregard its insecure power base and push ahead with unpopular reform, aimed at trimming an inflation rate of 21.8 per cent a year and shrinking the \$10bn public sector def-

icit to manageable proportions. Three weeks of strikes in September disrupted business activity but failed to delay new legislation on pensions or the abolition of index-linked wage increases at the end of this year. The 1991 budget will include stringent measures to restrict public spending and cut down on tax evasion.

Mr Ioannis Palaiologos, the finance minister, yesterday gave a foretaste of what lies ahead by announcing tighter fiscal controls on self-employed professionals, small private companies and nightclub owners, who are considered the most flagrant tax offenders.

Mass dismissals of public sector employees have started, under a government decision to fire 60,000 temporary workers in order to cut the wage bill and boost productivity.

The reward for applying the strictest economic measures of any post-war Greek government is expected to come in the form of an Ecu2bn (£1.95bn) special loan from the European Community, to be spent on long overdue infrastructure projects.

The conservatives are well aware that the political cost of rescuing the economy would probably involve losing control of Greece's three largest cities,

where half the population lives. In a carefully calculated piece of damage limitation, leading personalities from Mr Mitsotakis's New Democracy party were excluded from running for mayor in Athens, Piraeus and Salonica.

The socialists and communists are running joint candidates in all three cities, although factional disputes meant that they came up with only one strong candidate, Ms Melina Mercouri, the actress and former socialist culture minister, who is running in Athens.

Her New Democracy opponent is another former socialist cabinet minister, Mr Antonis

Tritsis, who quarrelled with the Panhellenic Socialist Movement last year and formed his own political party.

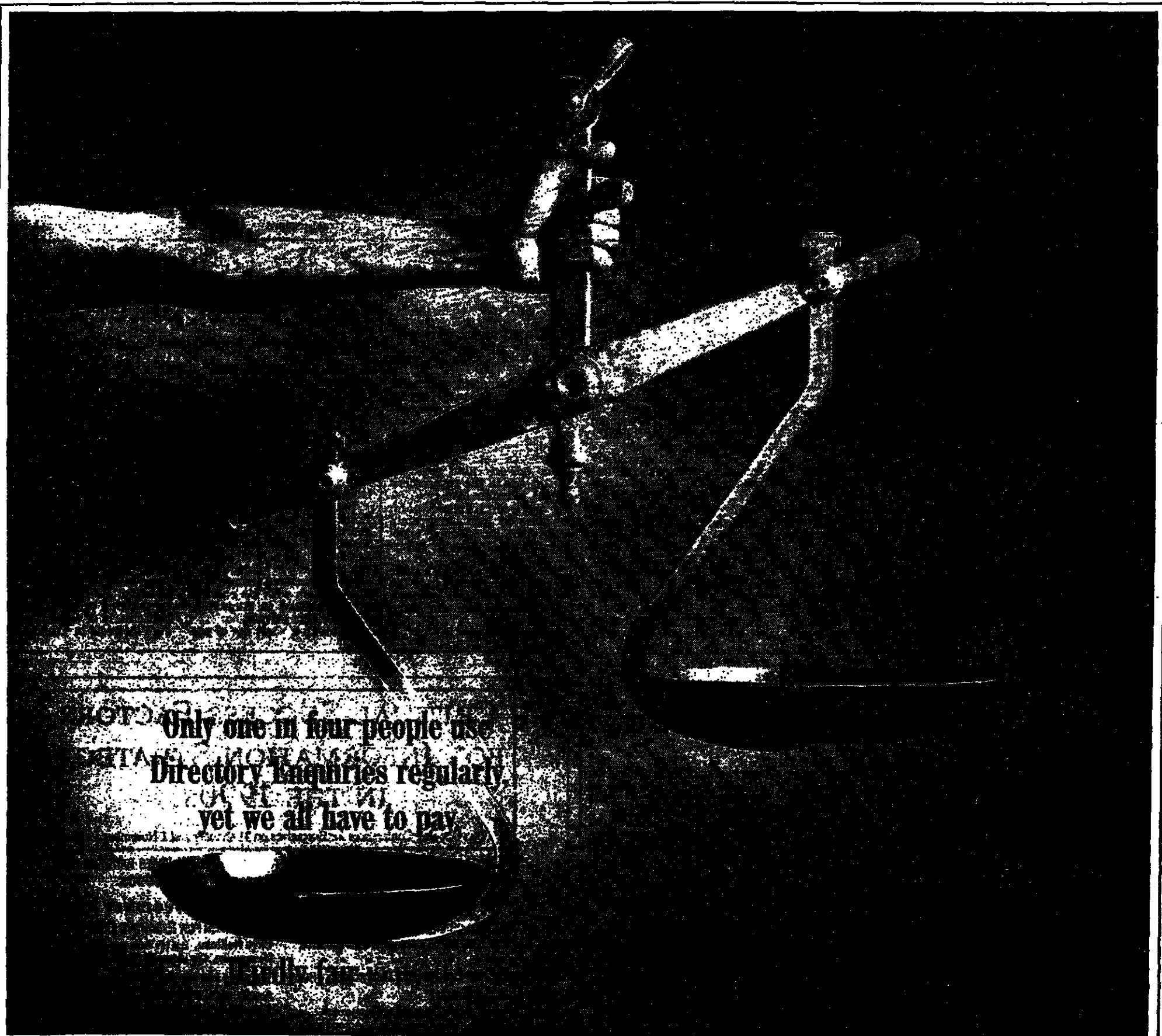
A likeable politician with a reputation for idealism, Mr Tritsis had ambitious plans for increasing green space and reducing traffic in Athens when he served as the socialist's environment minister.

His credibility has apparently not been affected by his readiness to run on a conservative ticket.

In fact, Mr Tritsis has been closing the gap that separates him from Ms Mercouri in the opinion polls, although she remains favourite.



Mitsotakis: first test



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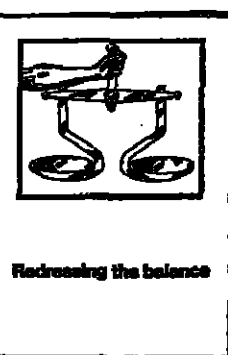
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Germans to test novel truck fuel

By Leslie Collitt in Berlin

VEBA, the largest German energy concern, and vehicle makers Daimler-Benz and Volkswagen are to test the possibility of producing fuel from rape seed oil to power a new, low-pollution truck engine in east Germany.

Details of the project, financed by the German Technology Ministry, were disclosed by Mr Günther Krause, the German minister responsible for economic restructuring in former East Germany.

The plan was discussed at a meeting last Monday between Chancellor Helmut Kohl and leading German industrialists on reviving the ailing east German economy.

Vebe said it would conduct

LEICA, the German camera manufacturer, said yesterday it was negotiating to co-operate with financially-troubled Pentacom, once east Germany's largest camera maker, AP-DJ reports from Frankfurt.

The Trehand, the government agency charged with the privatisation of east German state-owned enterprises, last week ordered the closure of Pentacom's camera operations.

Leica said it was not interested in a takeover of Pentacom, but had considered enlisting Pentacom in the manufacture of selected lenses or in camera assembly.

trials with rape seed oil at the Schwedt oil refinery in east Germany, which Vebe intends to take over. Rape oil will be added to diesel oil, in a one to four ratio, and the fuel will be tested in Mercedes and Volkswagen diesel engines.

If the trials are successful, and the price of crude oil remains high enough to justify the use of rape oil, full scale testing on a large number of vehicles will begin next year.

Mr Krause, who has taken a special interest in the project, said he envisaged that nearly 200,000 hectares of land in Mecklenburg, the northernmost of east Germany's five new Länder (states), could be planted every four years with rape seed to produce fuel. This would employ many east German farm workers threatened with losing their jobs.

The second part of the project involves the Elisabeth engine, developed by a west German engineer who runs on virtually any vegetable oil. "I want to see the first rape oil-powered engine produced in Nordhausen by 1992," said Mr Krause.

The engine plant in the eastern town of Nordhausen produces engines for trucks which are soon to be phased out. Thousands of jobs in Nordhausen and the former border region near west Germany could be saved, Mr Krause indicated, and the highly polluted environment in east Germany helped by the low emission engine.

A US bank is also said to be interested in the project as the Elisabeth engine is able to run on palm oil in Third World countries where a substitute for drug crops is being sought.

Polish carmaker faces threat

FABRYKA Samochodow Osobowych (FSO), Poland's biggest carmaker, is threatened with bankruptcy on the eve of a \$1bn deal with Fiat which would secure its future, Reuters reports.

FSO says that a price ruling against it by Poland's Anti-Monopoly Agency could force it to shut within days.

The agency accused FSO of exploiting its position as Poland's only manufacturer of saloon cars by unjustifiably raising prices in July when demand surged.

Last Friday, FSO refused to obey an order to reduce the prices of its ancient FSO 1500 and Polonez saloons to July levels, appealing to the courts and warning of serious economic consequences for Poland if it closes.

Closure would put nearly 25,000 people out of work, threaten 115,000 related jobs, cause tax losses to the state of \$1.84bn (£47m), and cost Poland a \$600m import bill to replace 90,000 cars a year it produces.

FSO's defiance is an unprecedented challenge to Poland's new free market officialdom. It faces fines of up to 23bn zlotys.

Some people at FSO, alarmed by unexplained delays in concluding the Fiat deal, suspect the Italian company may be spinning out the negotiations. Fiat and FSO appeared close to a deal in February when they announced they had agreed to conduct a feasibility study on producing Fiat Tempra saloons. They said they expected to sign a contract in July or August.

Mr Henryk Oliński, then FSO director-general, said in May the plan was for a \$1bn joint venture producing 120,000 cars a year by 1994.

Mr Oliński, who resigned last month partly because of delays in the Fiat deal, said the Italians were dragging their feet. "However, I am convinced this contract will be signed," he added.

Mr Nunzio Socio, director of Fiat's Warsaw office, said negotiations had been delayed by unexpected legal problems but he hoped to reach an agreement at the end of the year. Poland was a Lynchpin in Fiat's east European strategy.

The Financial Times (Europe) Ltd. Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Geddesstrasse 34, 6000 Frankfurt am Main 1, Telephone 069-75980; Fax 069-722677; Telex 416193; represented by E. Hugo, Frankfurt/Main, and, at members' Societates-Druckerei, R.A.F. McCann, G.T.S. Damer, A.C. Miller, D.E.F. Palmer, London, Printer. Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.F. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes. 182 Rue de Rivoli, 75004 Paris Cedex 01. Tel: (01) 4397 0621; Fax: (01) 4397 0629. Editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. Telex: 335335.

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EUROPEAN NEWS

Mediterranean nations affirm co-operation

By John Wyles in Rome

EUROPEAN and Arab Ministers from nine west Mediterranean countries yesterday launched a new exercise in regional co-operation, nearly side-stepping around their differences of view on the Gulf crisis and the Arab-Israeli conflict.

At the conclusion of a day-long meeting in Rome, five countries from the southern side of the Mediterranean - Algeria, Morocco, Tunisia, Libya and Mauritania - joined Italy, France, Spain and Portugal in affirming that their new co-operative arrangements would strengthen, but not be a substitute for, future European Community relations with the

Maghreb and the Euro-Arab dialogue.

Their political discussions obviously centred on the Gulf crisis and the recent Arab deaths in Jerusalem. Both were able to condemn the latter and the Arab side appeared encouraged by what they see as France's recent acceptance of some linkage between the Gulf and the Arab-Israeli problem.

Paris this week suggested that preparations for an international conference on the Palestinian problem need not await an Iraqi withdrawal from Kuwait.

The nine plus Malta, which attended as an observer, also

issued a strong statement of support for the Italian-Spanish proposal for a Conference on Security and Co-operation in the Mediterranean. Mr Gianni De Michelis, the Italian foreign minister, said afterwards that the conditions might be ripe to launch such a conference in the first half of next year.

The joint declaration they adopted yesterday provides for a wide-ranging co-operation from which nothing appears to be excluded.

The new relationship would have a "global character" said the declaration, whose elements would be politics, security, economics, cultural human environmental.

The nine will meet at a ministerial level once a year to review developments in their relations.

Economic priorities which have been identified include co-operation on production norms and certification systems, industrial relations and technological transfers as well as transport and food self-sufficiency.

On the social front, immigration looms large together with education and communications.

The project will begin with the creation of a Mediterranean Data Bank whose contents would have a particular emphasis on industrial and

commercial information.

The sensitive immigration issue will first be approached through a study of "migratory questions" which will aim at encouraging mutually acceptable solutions on matters such as living conditions of immigrants in Europe, length of stay, freedom of movement and employment.

Italy, which will introduce immigration quotas for the first time next year, will have been comforted by statement by Mr Sid Ahmed Ghozali, the Algerian foreign minister, that he was more interested in the conditions of life of emigrants to Europe than on controls on their entry.

Albania drafts law for multiple candidates

A DRAFT election law under discussion in Albania would for the first time introduce multiple candidates for the 250 parliamentary seats, the Albanian state ATA news agency said yesterday.

However, under the new law, only candidates approved by Communist-sanctioned organisations and unions would be allowed to run, AP reports from Vienna.

The draft law was part of a package of modest reforms announced earlier this year by the Communist leader, Mr Ramiz Alia.

Since taking over from his late predecessor Mr Enver Hoxha in 1985, Mr Alia has been guiding the tiny Balkan nation slowly out of its self-imposed isolation.

Earlier this year, Tirana re-established diplomatic relations with the Soviet Union and in Washington on Tuesday, a state department official said there was a possibility that formal ties could be renewed before the end of the year.

Mr Alia's Communist government has formally sought membership in the European-wide forum, the Conference on Security and Co-operation in Europe, which it has shunned for the past 15 years.

The new draft law was discussed on Tuesday by the leadership of the Democratic Front, a Communist-run organisation which organises elections and represents trade unions and other official interest groups, the news agency reported.

The draft bill was presented by the head of the Democratic Front, Hoxha's widow, Mrs Nexhije Hoxha.

The ruling Communist Party, the Democratic Front and various unions and interest groups will be able to nominate candidates, and there are to be at least two in each precinct, ATA said.

However, it is to be conducted secretly.

The Democratic Front leadership discussed proposals for possible amendments to the draft but gave no details of what they were.

The law would have to be adopted by the Parliament to come into effect.

Power struggle inside French Socialist party erupts again

By Ian Davidson in Paris

THE factional power struggle within France's governing Socialist party, which broke into the open at the party congress in March, has erupted anew this week with potentially damaging implications for Mr Michel Rocard, the Prime Minister.

The latest battle was over an apparently secondary issue, the election of a new leader for the Socialist group in the National Assembly. The vacancy was created by last week's government reshuffle, in which Mr Louis Mermaz was moved from the National Assembly to the Ministry of Agriculture.

At the start of the week, it seemed a foregone conclusion that the election would be won by a member of the traditionalist faction, led by Mr Lionel Jospin, the former party secretary and now education minister, against a candidate of the clan led by Mr Laurent Fabius, former prime minister and now speaker of the Assembly.

But in a surprise upset, yesterday's vote was won by the Fabius candidate, Mr Jean Auroux, a former labour minister, largely because of the support of the minority faction led by Mr Jean-Pierre Chevènement, defence minister.

The vote was a direct reversal of the struggle at the party congress, in which Mr Fabius attempted to grab the party secretaryship with the overt support of President François Mitterrand but was defeated by a tacit alliance between Mr Jospin and Mr Rocard.

The alliance was tacit until



Prime Minister Rocard

this week because Mr Rocard was reluctant to exacerbate his uneasy relationship with Mr Mitterrand by advertising his opposition to the President's favourite son. But on Monday Mr Rocard alarmed his friends and angered his opponents by declaring that the congress implied "a restructuring around a new majority in the Socialist party", and predicting that it would tend to lead to a vote for Mr Jospin's candidate, Mr Henri Emmanuelli. His prediction has been disproved.

But in addition, some observers are speculating that Mr Rocard may have seriously damaged his position by too open a challenge to the president and his personal preferences.

Ian Davidson's column will now appear on alternate Mondays on the back page, starting next Monday

Soviets to tune into MTV

By Raymond Snoddy

MTV, the international television network yesterday completed its first deal with Gostelradio, the national Soviet television company.

From tomorrow MTV will provide a regular rock 'n' roll television programme for the Gostelradio's first channel available to 95 per cent of the

country's population. MTV said last night it was the first long-term agreement for a rock programme to be provided to the Soviet Union from the west. MTV said an hour's worth of MTV programming would be seen as part of the weekly youth programme Vozlyad (Glance).

Greece impounds Iraqi tankers

By Kerin Hope in Athens

TWO Iraqi supertankers berthed in Piraeus for repairs were impounded yesterday under a Greek court order against a \$153m debt claim by two state-controlled Greek arms companies.

The tankers, the Al-Farah and the Jabour, belong to the Iraqi state tanker company. Repairs on both were suspended in early August, a few days after the Iraqi invasion of Kuwait.

Officials of Prykal, an ammunition manufacturer, claim that Iraq owes the company \$65m for supplies delivered

during the last two years of the Gulf war.

The Greek armaments industry, which also produces ammunition, filed a similar claim for \$88m.

Iraq's overall trade debt to Greece is estimated at more than \$200m, according to the Foreign Ministry.

In recent years, cordial Greek-Iraqi relations at government level were not affected by delays in Iraqi payments.

It was not clear how the court decision would affect prospects for the release of the 24 Greeks being held hostage

in Iraq.

Although Greece sent a frigate last month to join the multinational force in the Gulf and Greek shipowners are complying with the trade embargo against Baghdad, the Iraqi ambassador to Athens is holding out hopes that the Greek hostages will soon be released.

The ambassador, Mr Abdel Fatah Al-Khazraj, gave assurances earlier this week that the Greeks had not been transferred to Iraqi military installations but were still being held in Baghdad hotels.

Polish agents accused of running crime network

By Christopher Sobinski in Warsaw

SENIOR POLISH security officials have alleged that a former communist interior minister was involved in crime in western countries which brought in several million dollars. Last week Mr Mirosław Milewski, the minister involved, and six other former officials, were arrested on corruption charges for offences committed between 1968 and 1971 in the operation codenamed "Tun".

According to Mr Andrzej Milczanowski, the new Solidarity-appointed head of the security service (UOP), Mr Milewski, then head of Poland's intelligence service, used a network to run fraudulent operations, as well as indulge in common crime in the west, smuggling the proceeds back to Poland.

At least 65 kilos of gold as well as jewellery and precious stones were amassed and with the help of Polish intelligence it was brought to back to Poland and divided up between security officials, Mr Milczanowski said.

Officials declined to say which countries the crime gangs operated in. "I can only volunteer that Vienna was not the main outfit," Mr Milczanowski said.

"Several businesses were opened in the West which gave high profits, mainly through re-insurance frauds. They were also involved in robberies and assaults," he added.

Mr Milczanowski also said

the investigation would be pressed to the limit. "There are no taboos in this case and there are no limits for us as concerns the people involved," he said.

The affair first became known to the authorities in 1984 and gave grounds for General Wojciech Jaruzelski, the communist party leader, to dismiss Mr Milewski, reputed to be a political rival, from his party post. But Mr Milewski was not prosecuted at the time.

The timing of the legal action has given rise to suggestions that the government is seeking to prove it is being tough on Poland's former rulers, as the prime minister, Mr Tadeusz Mazowiecki, fights Mr Lech Walesa, the Solidarity leader, for the presidency.

Yesterday, however, Mr Krzysztof Kozłowski, the new Solidarity interior minister, denied the timing of the arrests had anything to do with the election campaign.

The steering committee of the PSL, Poland's largest farmers' party, yesterday proposed Mr Roman Bartoszcze, their leader, as a presidential candidate. Given the degree of discontent in the countryside, with its 30 per cent of the population, Mr Bartoszcze could amass a sizeable vote, weakening the other two candidates and forcing the election on November 25 (in which the winner needs over half the vote) to a second ballot.

Strasbourg urged to reject car plan

By David Buchan in Strasbourg

SIGNS of a German backlash against the freeing of financial services emerged yesterday as the European Parliament geared up for action on car insurance.

Mr Willy Rothley, a German socialist, called on fellow MEPs to take the unusual step of rejecting, rather than just amending, a Commission plan to encourage cross-border insurance of car fleets ("large risks"), as distinct from individually-owned cars ("small risks").

Such rejection would kill the plan. To overturn a Parliamentary rejection requires a unanimity in the Council of Ministers which does not exist on this issue because of continued German opposition.

The Commission's logic has been that fleet owners are inherently better placed than the average private motorist to judge which foreign insurer to pick, and can thus be used as the spearhead for price liberalisation in car insurance.

But Mr Rothley, who has prepared a parliamentary report on the car insurance directive, said the distinction was untenable and "ultimately the consumer would lose out". Most accidents involved two or more parties, some of whom would be individuals who would feel vulnerable if they had to depend on compensation from foreign companies.

Recently Sir Leon Brittan, the commissioner responsible

for financial services, said that all accident victims would be protected because his plan would require insurers dealing with "large" cross-border risks to respect all local requirements - legal and prudential - except price. He also signalled a bolder approach in which all large/mass risk distinctions would disappear in a general freeing of the insurance market.

Mr Rothley seized on this to suggest that the parliament should ditch any interim plan and await more radical proposals. Sir Leon's officials claimed yesterday that the German insurance sector was arguing the best against the good to delay any liberalisation.

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AMERICAN NEWS

Mexican inflation edges upwards

By Richard Johns in Mexico City

MEXICAN inflation rose by another 1.4 per cent in September bringing the cumulative total for the first three quarters of 1990 to 21 per cent, slightly ahead of the 20.3 per cent recorded for the whole of last year, according to Bank of Mexico.

It was the lowest single monthly increase so far this year continuing the trend which has been in evidence since June. Nevertheless, by the end of last month, inflation, at an annualised rate as measured by the official Consumer Price Index (CPI) had reached 28.6 per cent.

An increase of 3.7 per cent brought the cumulative rise for the year of the National Producer Price Index to 23.5 per cent. With a number of big wage settlements likely and the prospect of the usual inflationary surge in December, it is expected that the rate for the year as a whole will be at least 27 per cent.

The inflation estimated for the year as a whole in the Government's budgetary projections was 15.3 per cent.

Private sector organisations believe that the methodology used by the Bank of Mexico fully reflects inflation. For instance, the Mexican Association of Consumer Studies calculated a 2.7 per cent rise in the cost of the basic basket of goods last month.

By contrast, the central bank put it at only 0.9 per cent attributing a large part of the overall 1.4 per cent increase in the CPI to such items as private education, housing costs (including rents, electricity and telephone) and other services.

Bush backs into a tight political corner

Peter Riddell examines the fallout from the president's budget reversal

PRESIDENT George Bush is in serious political trouble. His sudden reversal about his willingness to accept higher top income tax rates in exchange for a capital gains tax cut may have helped to reduce the divisions within his own Republican Party. But it has made an agreed budget deal more difficult to achieve.

A confrontation between the Republican House and the Democratic-controlled Congress in 10 days time looks more likely. The Federal government may shut down again. The best advice to tourists is stay away from Washington on the weekend of October 20-21.

Moreover, the whole episode has reinforced the image of Mr Bush's ineffectiveness and wavering over the past 10 days. Conservative commentators were scathing in yesterday's papers, drawing comparisons with former presidents Herbert Hoover and Jimmy Carter - talking of political ineptitude - and warning of the risk not only to his strategy in the Gulf crisis but also to his re-election chances in 1992.

Mr Bush has always looked a better manager, working with other heads of government, than a leader. He admitted on Tuesday that he preferred deal-

ing with foreign policy than domestic issues.

As the Washington joke goes, as a president George Bush is an excellent secretary of state.

Mr Bush's personal authority has been undermined by the embarrassing failure of his nationally televised speech 10 days ago to rally support for the original budget package. Now he has alternated between sounding tough, threatening vetoes, and being conciliatory to the Democratic Congress.

At his press conference on Tuesday morning, he said it would be fine if a "proper balance" could be worked out between the capital gains rate and income tax changes.

That was the green light for the Democratic chairman of the main tax-writing committees to bring forward such proposals.

But by early evening, after Mr Bush met 17 Republican senators, Senator Bob Packwood, the senior Republican on the Senate Finance Committee, announced there was no deal. "We will leave the (income tax) rates where they are, drop capital gains, do nothing about the rates - and the president agreed to that."

This was no firebrand group of tax-cutting young House Republicans but

the very heart of the Senate Republican establishment who changed Mr Bush's stand - and left him looking weak and indecisive.

It reflected a debate among his advisers between those urging him to work out a new deal with congressional Democrats and those wanting minimal changes from the original package.

The immediate initiative now lies with Senator Lloyd Bentsen and Congressman Dan Rostenkowski, the Democratic chairmen of the Senate Finance and House Ways and Means committees. Just before Mr Bush's policy reversal, the senator's staff had unveiled a package which included a cut in capital gains tax geared to the length of time an asset is held.

This was balanced by the elimination of the tax "bubble" under which the wealthiest Americans pay a top marginal rate of 28 per cent, while upper middle income payers face a 33 per cent rate. For those who can exploit tax deductions, the minimum tax rate would be raised from 21 to 25 per cent.

Overall, this would leave a top effective capital gains tax of around 24 per cent, compared with the present 28/33 per cent. Raising income tax

rates would generate \$50bn in additional revenue over five years, while the lower capital gains tax would mean \$9.5bn less in revenue. However, these estimates are disputed by many conservatives who argue that a cut in the gains tax would increase revenue, and the proposed cut is not large enough to satisfy the White House.

Senator George Mitchell, the Democratic majority leader, said that "in view of the apparent reversal of the position by the president, we will now have to reconsider what the appropriate course will be."

The Democrats' proposals risk a clash with the White House. Senator Bentsen's draft plan not only proposes changes in the original budget accepted by the administration, such as scaling back the savings on Medicare health provision for the elderly and dropping the proposed increase in home heating oil tax, but goes further.

For instance, it recommends abandoning \$12bn worth of tax incentives for small businesses, regarded by the Democrats as tax shelters, but which Mr Bush has said must be included.

The House Ways and Means committee was meeting yesterday to prepare its package. Until yesterday



Bush: a sudden change

there had been signs that Mr Rostenkowski might suggest indexing the capital gains tax for inflation.

The deadline for the committees' producing their detailed plans is the end of this week with final Congressional approval by October 19. This tight timetable has been made more uncertain by Mr Bush's abrupt change of heart.

'Business as usual' for Argentina and Britain

By John Barham in Buenos Aires

BRITAIN yesterday hailed "a return to normal business" with Argentina, eight years after the two countries fought over the Falkland Islands.

Mr Tristan Garel-Jones, a foreign office minister on an official visit to Buenos Aires, said President Carlos Menem's commitment to a market economy and Argentina's participation in the Gulf force indicated the country had joined the mainstream of world affairs.

Argentina still presses a claim to the Falkland Islands, but Mr Garel-Jones, the first British minister to visit Argentina since 1981, said both sides had "agreed to differ" on the issue. Argentina and Britain agreed entirely on several points. "We are in total agreement that the approach based on a social market economy is right."

Mr Garel-Jones said Argentina's decision to send a token force to the Gulf "is as significant in Latin American terms as the collapse of the Berlin wall, and this is the first reaction of consequence by a Latin American country to the new world order."

The minister was told that Buenos Aires had suspended all shipments of Comor intermediate missiles to Iraq. Argentina was developing the missiles with Iraq, Germany and Egypt.

Buenos Aires has backed British proposals for a new Antarctic treaty, and intends to reach rapid agreement on conservation of fish stocks in the south Atlantic.

Britain also supports demands by Argentina and other grain exporting nations that the EC reduce its huge agricultural subsidies, which have depressed world grain prices.

Despite the upbeat tone of relations between two former enemies, Mr Garel-Jones criticised Argentina's refusal to make more than token interest payments on its \$60bn (\$200,000) foreign debt.

In June Argentina began paying foreign commercial bank creditors \$40m a month. Falkland fishing talks, Page 36

Peru seeks to bolster financial credibility

By Sally Bowen in Lima

PERU is on the road to re-establishing its financial credibility, according to Mr Juan Carlos Hurtado Miller, prime minister and minister of the economy.

Negotiations for a \$2bn (£1.01bn) bridging credit, needed to bring Peru up to date with its multilateral debt arrears - had begun, he said, although the money was not yet secured, as had been announced last week.

Mr Hurtado Miller said in a television address on Tuesday that the Andean Reserve Fund, which provides finance for

member countries of the Andean Pact, would lend Peru \$370m. Another \$450m would come from the International Monetary Fund, and Peru also hoped for about \$1.2bn from a support group of friendly countries, including the US, Japan, Spain, Germany, France, Canada and Italy.

Commercial banks would be invited for debt discussions in March 1991, he said. This would be after January meetings with the Paris Club and negotiations in February with Peru's non-Paris Club creditors, principally Latin American and socialist bloc countries.

Peru would seek refinancing for its Paris Club debts, while it hoped for new funding for development projects from the second group of countries.

The thrust of Mr Hurtado Miller's message was that Peru was constructing a "new path" with no economic deficit and no monetary emission not backed by reserves.

The government's immediate programme included reduction of inflation, elimination of relative price distortions, "controlled flotation" of the int'l

its true levels relative to the US dollar, modification of the tariff system with the goal of a single unified rate within two years, wide-ranging tax reform, and the restructuring of customs, ports and airports to increase Peru's international competitiveness.

Mr Hurtado Miller was speaking on his return from Washington, where he attended the IMF-World Bank annual meeting. He said the meeting had allowed him to explain the country's economic objectives to multilateral creditors.

Also Monday, Science and Technology secretary, Mr Jose Goldenberg told delegates at the "Forest 90" environment conference in Manaus, that Brazil will conduct a comprehensive survey of Amazonia to map economic and ecological priorities for the region in preparation for the 1992 UN World Environment Conference in Rio de Janeiro.

Jamaican opposition party dismisses MPs

By Canute James in Kingston

A DISPUTE within the opposition Jamaica Labour Party has widened with the sacking of five MPs from their shadow portfolios.

The five MPs have also been barred by Mr Edward Seaga, party leader, from standing in the party's ticket in the next general election.

The row threatens to split the party and has raised questions about its future under the leadership of Mr Seaga, who was Jamaica's prime minister between 1980 and 1989.

The dismissed MPs, dubbed the "gang of five," had been critical of Mr Seaga's leadership style, suggesting he was too authoritarian. They had refused to sign documents pledging their loyalty to him.

The party has suffered heavy losses in municipal elections and in February last year lost a general election to the People's National Party, led by Mr Michael Manley, the current prime minister.

Mr Parnell Charles, a former deputy leader of the Labour

Party and widely held to be the leader of the dissident five, said he and his colleagues would not be forming a new party, and would not join the PNP in a clear challenge to Mr Seaga's leadership.

Mr Charles said splits in the Labour Party could not be healed by Mr Seaga. "I am offering myself to do it," he said.

The sacking of the five from their shadow portfolios coincided with the dismissal by Mr Seaga of Mrs Joan Gordon-Webley, the party's spokeswoman for women's affairs, from her post as executive secretary of the Caribbean Democratic Union.

This is a regional federation of conservative parties which has Mr Seaga as chairman.

Mrs Gordon-Webley said Mr Seaga had a "craving for power" and would not tolerate anyone who disagreed with him. She said she expected soon to be stripped of her shadow portfolio and barred from contesting the next general election for the Labour Party.

Brazil's gold miners face new government offensive

BRAZILIAN police yesterday began a new offensive against the illegal gold mines alleged to be responsible for the deaths of 15 per cent of the threatened Yanomami Indians over the past three years, Simon Fisher writes from Rio de Janeiro.

Journalists were taken to witness the destruction of illegal airstrips in the Amazon territory of the Yanomami in

Roraima state, amid fanfare reminiscent of the first offensive six months ago.

Meanwhile, in debt talks with commercial banks which opened in New York yesterday, the government was expected to include for the first time "debt-for-nature" swap proposals, to exchange part of the country's debt for guarantees of environmental protection.

But many activists are sceptical of the government's efforts to win the high ground in the ecological debate.

Of an estimated 120 airstrips carved out of the jungle, only 18 were destroyed last April. Several of these were subsequently repaired. The government said this time trees will be planted in the clearings to prevent recovery.

The latest action was delayed for several months in the run-up to elections for state governors, held last week. All the candidates in Roraima state support the illegal prospectors.

On Monday the environment protection agency Ibama said three companies a record \$4.5m for illegal logging and clearing operations in Amazonia.

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WORLD TRADE NEWS

EC trade ministers delay decision on farm reform

By Tim Dickson in Luxembourg

THE TRADE ministers of the European Community yesterday postponed until next week a final decision on their negotiating position over farm reform.

At the end of a three-hour meeting in Luxembourg originally intended to endorse the EC's negotiating position for the Uruguay Round of the General Agreement on Tariffs and Trade, the trade ministers of the 12 effectively ducked the issue. They thus reflected the paralysis which has gripped the European Community over this issue.

Most member states appeared to have the strong reservations expressed in Luxembourg on Monday by EC farm ministers over the European Commission's controversial proposal to cut farm subsidies by 30 per cent. The tone of the discussion was, not surprisingly, somewhat more subdued yesterday but there was no attempt to go over the heads of the Farm Council after the latter's pointed decision to adjourn until next Monday, pending clarification of certain technical details.

It was unclear last night whether the behaviour of both sets of ministers is tactical - designed to underline the pain



Andriessen: reviewing all sectors

which they believe the proposed cuts will involve and perhaps to provoke the US into making the next move - or whether there is any serious prospect of the EC package on agriculture as it now stands being modified in Brussels over the next few days.

A spokesman for Mr Raymond MacSharry, the EC agriculture commissioner, yesterday insisted that there would be no changes but he confirmed recent mutterings that unspecified "accompanying measures" would be brought

forward by the Commission in November and December in the context of the routine annual farm price negotiations.

Significantly, this theme was picked at a press conference after the meeting by Mr Renato Ruggiero, the Italian president of the EC Council of Ministers.

"We are faced with a difficult problem," he said, "and that is how can we guarantee what seems an absolute objective to provide reasonable support for farm incomes and maintain people in the countryside and at the same time meet the EC's obligations in regard to international trade. This is developing more and more along market lines."

A more short-term question - which Mr Ruggiero refused to answer - is how will trade ministers react at their special meeting next Thursday if the Farm Council continues its apparently obstructive stand early next week.

"I am only going to put on a bandage when I have wounded myself," was the Italian trade minister's cryptic comment.

Besides the ritualistic hand-wringing about the urgency and desirability of reaching a Gatt settlement on all issues, including agriculture - familiar and predictable sentiments

AUSTRALIA ATTACKS BRUSSELS APPROACH AS 'FARCICAL'

Australia has described as "farcical" the European Community's contribution to indirect export subsidies, and has attacked the current negotiations on farm-product supports, AP-DJ reports from Canberra.

Mr Neal Blewett, minister for trade negotiations, also described an offer that Japan is making at the General Agreement on Tariffs and Trade talks as "disappointing". But he said in the Australian parliament yesterday that the US would soon make a "substantial" offer.

"I have got to say that the performance being played out by the European Community farm ministers is rather reminiscent of a French farce," Mr Blewett said. He said these ministers were trying to convince Australia and other nations that they (the ministers) were being asked to give away so much in the negotiations to cut subsidies. But a proposal they rejected

this week was similar to one they made a few months ago and lacked action against export subsidies. Europe should "stop the playing act and work out a proposal that embraces genuine reform."

"Similarly, the offer now being made by Japan is disappointing," Mr Blewett added. He described that offer as "modest" and lacking a real commitment to trade liberalisation. "On the other hand, the US is expected to table a very generous offer in the next few days." This could include cuts of around 70 per cent in domestic support and larger cuts in export subsidies over 10 years.

Australia and its partners in the 14-member Cairns group of farm exporting countries are developing their proposal to be made at the Uruguay Round negotiations.

Commission officials were relieved yesterday that the focus had switched away from the battle over the level of farm subsidies between Mr MacSharry and Mr Frans Andriessen, the EC's external relations commissioner.

The latter, however - in a review of all the sectors being covered in the Round - was intent on emphasising that agriculture, while it has become a major issue, accounts for a mere 12 per cent of world trade and only 5 per cent of EC exports.

Only Britain, Denmark and the Netherlands supported the Commission at this stage, with Mr Piet Balkman, the Dutch farm minister, pointing out that a 30 per cent cut in EC farm supports was the minimum needed for Uruguay Round success.

Concerns of high farm subsidies, was just as strongly expressed yesterday as earlier in the week - while most of the Mediterranean countries continued to bemoan the inclusion of "southern" products in the Brussels proposal.

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Austrian banks tread warily in their own backyard

Caution and selectivity characterise lending to eastern European neighbours, reports Judy Dempsey

AUSTRIA'S banks will adopt a two-pronged policy of caution and differentiation in trading with eastern Europe, despite the sweeping changes which have taken place over the past year and despite Austria's close geographical and historical links with the region.

This is the message from Creditanstalt, Girozentrale and Laenderbank, the country's three largest banks, as they consider how they can benefit from this largely untapped market.

The caution partly stems from the substantial debts owed to Austria by several eastern European countries. According to data drawn up by the Austrian Institute for Economic Research, by the end of 1989, eastern Europe was indebted to Austria to the tune of \$300bn (\$15.1bn).

The debts are divided into two categories - privately

financed loans by Austrian banks total \$57bn, and the current liability of the Oesterreichische Kontrollbank, which handles state-guaranteed export loans granted to Austrian companies, totalled \$107bn.

These debts have affected overall exports from Austria to the region. Austria's share of exports fell from 12.1 per cent in 1980 to 9 per cent in 1989.

But while there is considerable scepticism that these debts will be paid back, or else converted into debt-to-equity swaps, bankers and exporters appear determined to continue investing in the region, but with increasing differentiation about the product and the country.

Mr Erhard Fürst, head of the economics department at Creditanstalt, reckons that the obvious markets for Austrian companies lie in the construction and tourism sectors.

E. EUROPEAN DEBTS TO AUSTRIA (\$bn)	
Country	Amount Owed
Poland	46
+ bank loans	34.5
Soviet Union	48.4
Germany (east)	28.6
Hungary	19.5
Bulgaria	13.5
Czechoslovakia	13.5
Romania	11
Yugoslavia	10.5

"These are low risk investments but at the same time they will contribute to the infrastructure of the region," he said.

The bank, which had one of the largest branch networks in eastern Europe in the period between the two world wars, is rediscovering its roots. It now has offices in Moscow, Berlin, Prague and Budapest, a trend followed by the other large

banks, particularly Girozentrale.

The banks will also promote the financing and acquisition of projects, including joint ventures.

For example, Soviet-Austrian trade is stagnating - it has been growing by no more than 4.3 per cent since the end of 1989 - but joint ventures continue to increase. By the end of June over 130 joint ventures had been set up, consisting largely of hotel construction companies, services enterprises and computer industries.

But in terms of confidence in the pace of the economic reforms taking place in eastern Europe, bankers are adopting a clear order of preference.

Hungary remains number one on the list, but Austrian banks are divided about Czechoslovakia. Although Creditanstalt and Girozentrale wax lyrical about the age-old

entrepreneurial spirit of the Czechs, bankers are disappointed about the slow pace of change in the legal and other institutional structures which could facilitate a much faster inflow of foreign capital.

Between June 1988 and June 1989, exports to Hungary grew by 21.4 per cent and to Czechoslovakia by over 74.6 per cent. The latter figure is not surprising, given Austria's low level of exports before last year's revolution which toppled the communists from power.

However, trade with Poland, which owes Austria a total of \$48bn, has fallen by 41.9 per cent over the same period. "In Poland, as before, we will continue to look at project financing," explained Mr Anton Burghard, head of Girozentrale's international division.

But it is not only the pace of economic reforms which influence Austrian enterprises and bankers. One of the overriding

concerns is stability. The trade figures spread over the year from June 1989 speak for themselves.

For example, exports to the Soviet Union have fallen by 10.1 per cent, and by 25.2 per cent to Bulgaria, which is hardly surprising given Bulgaria's moratorium on all debt repayments on both interest and principal which total \$10.6bn.

Exports to Romania have sharply risen by 72.4 per cent, but we are coming from almost a zero base," explains Mr Fürst.

Despite the caution and differentiation, Austrian bankers and enterprises remain optimistic. They see themselves well-placed for short- and medium-term investments, and with growing co-operation from other western banks and enterprises which still regard Vienna as a useful conduit to eastern Europe.

US senators hint at tighter rules on sales to overseas groups

By Nancy Dunne in Washington

ANGRY senators yesterday cross-examined Bush administration officials about the procedures employed to approve foreign acquisitions which may jeopardise national security. They suggested Congress might move to tighten the rules.

At issue was the approval by President George Bush of the pending acquisition by Nippon Sanso of Japan of Semi-Gas Systems, an inter-agency-based division of the Hercules Group. Semi-Gas produces gas delivery and purification systems used in making semiconductors and it is a key supplier of Sematech, the US government-backed research and development consortium.

Senator Al Gore, chairman of the commerce sub-committee, charged the Treasury-led Committee on Foreign Investment (CFIUS), an inter-agency committee, with employing little technical analysis of the sale's impact, of not allowing agencies to conduct on-site visits to Semi-Gas or Sematech, and of failing to consider the cumulative effects of such sales on the nation's industrial base.

Senator Gore said the need for foreign financing of the US budget deficit had rendered the Administration "obsequious" in its dealings with Japan.

Mr John Mithum, senior deputy assistant Treasury secretary, said the Exon-Florio rule authorising the President to prevent foreign acquisition requires only "credible evidence that a foreign entity might take an action that is a threat to the national security." It is not, he said, "intended to be used as an instrument of industrial policy."

Mr Peter Mills, the chief administrative officer of Sematech, argued that the current CFIUS process was inadequate and the definition of national security too narrow.

Senator Gore is considering introducing in the Senate legislation similar to that before the House which would force the inter-agency committee to consider the effects of a foreign acquisition on the US industrial and technological base. Opponents of the proposal say it would require government approval of all sales of manufacturing or high technology companies.

The sale of Semi-Gas is being investigated by the Justice Department for its anti-trust implications. CFIUS cleared the sale after determining that other companies could supply the needs of Sematech and that the consortium's trade secrets learned by Semi-Gas employees could be protected by a confidentiality agreement.

US deal signals Turkey's frustration with EC

By John Murray Brown in Ankara

TURKEY'S proposal to establish a free trade zone with the US is the latest indication of its disappointment at the European Community's decision last December to shelve its application for full Community membership.

A Black Sea trade zone, a Balkan bloc, even a trade pact with the European Free Trade Association (Efta) have all been mooted in Ankara.

But the timing of the latest proposal, unveiled by President Turgut Ozal in the US last week, has puzzled Community officials.

Mr Tural Iakit, head of EC affairs at the Turkish foreign ministry, insists the US deal is not an alternative to EC mem-

bership. He says it would be an interim measure while talks continued with Brussels on possible customs union.

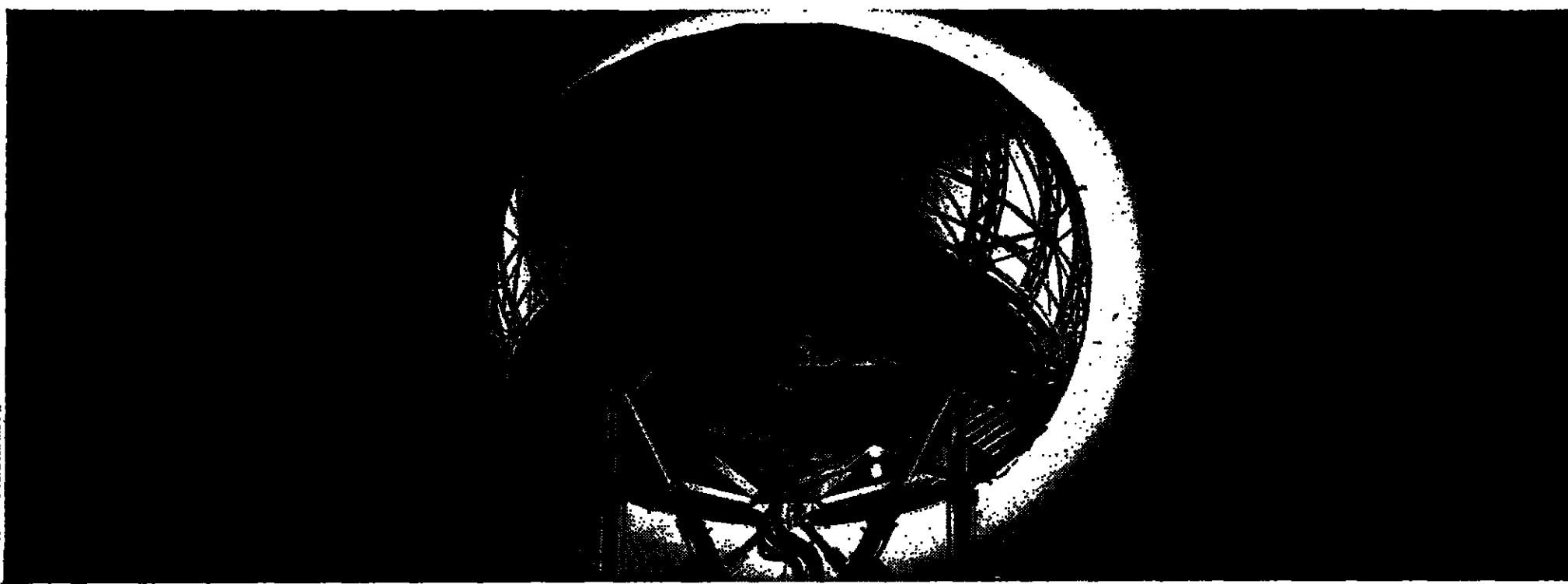
Recently, Turkey's relations with the Community have improved, thanks largely to Ankara's strong support of the US embargo in the Gulf crisis.

Some problems over Turkey's unilateral introduction of tariff cuts have been ironed out. In theory, the new tariffs contravened the EC agreement, as they applied across the board to all imports and therefore provided the Community with no preference.

However, trade preferences offered to the US would technically be incompatible with any EC customs union.

"The most beautiful
thing we can
experience is the
mysterious."

Albert Einstein



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INTERNATIONAL NEWS

China warned of limits to influence over Hong Kong

By John Elliott in Hong Kong

SIR David Wilson, governor of Hong Kong, yesterday warned China that it could not have a veto over government decisions during the run-up to 1997 when it resumes sovereignty over the British colony. But he was prepared for increased exchanges of information.

This warning comes at a time when China has been trying without success to have say on Hong Kong's plans to build a new international airport, which Sir David said would cost \$950m (\$192.2m) at present-day prices.

Hong Kong is acting as host to a delegation from Peking next week. The two sides will discuss the plans and other infrastructure projects, now costed at a total of HK\$138bn (\$29bn) at current prices. Sir David's remarks underline Hong Kong's determination not to allow China to make it change the sitting or size of the projects.

The governor was delivering his annual address to the Legislative Council. It was considerably more downbeat than his speech last year when he announced the infrastructure

projects, then budgeted at HK\$127bn, as a morale boosting exercise.

He warned yesterday that Hong Kong faced a "harsher economic environment" in which it would be "much tougher" to maintain its share of world trade. The Gulf crisis would hit economic growth figures, which were already well below forecasts.

The growth in gross domestic product this year is now forecast to be 2.5 per cent, the same as last year, compared with original estimates of 6 per cent.

In 1986-87, the economy was growing at approximately 13 per cent a year. Inflation is expected to average 9.5 per cent this year.

Sir David emphasised that the airport and other projects would hit economic growth figures, which were already well below forecasts.

They were "essential" for the colony's prosperity and the cost would be partly offset by HK\$40bn raised from consequential sales of government land.

NEWS IN BRIEF

British hostages may be freed soon, says Keenan

MR Brian Keenan, the recently released Irish hostage, yesterday forecast that Britons held captive in the Lebanon stood a good chance of being freed very soon, David Buchanan writes from Strasbourg.

Speaking at the European Parliament where he had been brought by Irish MEPs, Mr Keenan said: "I have a feeling that one [hostage] might be released very soon - much sooner than I would have said two weeks ago." He said he based his optimism on certain new information.

But Mr Keenan cautioned that, despite renewed diplomatic ties between the UK and Iran, the outcome was still very uncertain. "Men have been given shirts, trousers and a tie, and walked to the door and the door has not opened," he said.

Kuwait Airways resuming flights

Kuwait Airways announced yesterday that it is resuming regular commercial flights next week with eight aircraft which were outside their home base during the Iraqi invasion on August 2, AP-DJ reports from Cairo.

Now relocated in the Egyptian capital, the airline is also said to be demanding compensation of \$650m (\$350.2m) from Lloyd's for 15 aircraft which have now been impounded by Iraq.

In addition, Kuwait Airways is seeking Lloyd's for \$150m to compensate for spare parts which the Iraqis allegedly stole, including parts for Boeing 747s and Airbus A-300s.

Police storm Seoul university

Riot police firing volleys of tear gas shells stormed into the campus of Korea University yesterday, triggering clashes with students around school buildings, AP-DJ reports from Seoul. Violent fighting erupted after about 1,000 riot police moved in to block students from showing a North Korean film. Groups of students rushed out of buildings with firebombs and clubs and fought police across the campus.

Near the residence of President Roh Tae Woo, police arrested about 50 dissidents who were marching to the military intelligence headquarters shouting "Down with Roh Tae Woo".

New Zealand jobless up

New Zealand's unemployment rate rose to 7.9 per cent in August from 7.3 per cent in July, the Department of Statistics said yesterday, AP-DJ reports from Wellington. According to the department's monthly household survey of the labour force, the number of persons unemployed rose to 126,300 in August from 115,000 in July.

The rise in the unemployment rate is bad news for the ruling Labour Party government, which is trailing the opposition National Party by a wide margin in opinion polls, with the October 27 general election looming.

Election may force the pace of reform in Malaysia

Mahathir Mohamad is expected to stay in power but change is on the way, Lim Siong Hoon writes

THE EIGHTH Malaysian general election was announced last week but the campaign has been going on for the past year.

Dr Mahathir Mohamad, the prime minister, is frequently seen on television touring the remote areas, handing out bicycles, fishing gear and outboard motors. Sometimes he plays the role of a street food vendor.

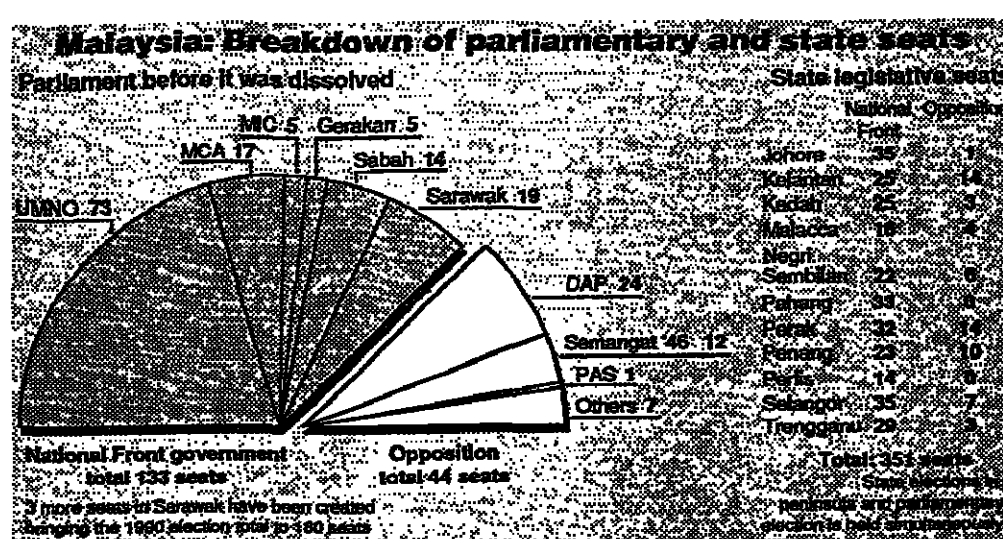
The campaign by his arch-rival, Tengku Razaleigh Hamzah, a former member of Dr Mahathir's cabinet and party - the United Malays National Organisation (Umno) - looks subdued without government media support. He moves from village to village relying on small meetings which are monitored by the police.

Public rallies are banned: those sessions, or *ceramahs* in Malay, technically require police permits and must be held within a walled enclosure.

At one stage in this pre-election battle, Dr Mahathir accused his opponents of exploiting an old man, in the person of Tengku Abdul Rahman, Malaysia's first prime minister, by using him to oust Dr Mahathir from his Kubang Pasu constituency.

The Tunku as he is affectionately called, answered that he would be glad to stand against Dr Mahathir, who has lost Kubang Pasu before.

The prime minister may have been worried by this, for he spent three days camped in the area shortly before parliament's dissolution last week.



In any event, Tengku Razaleigh's party, Semangat '46 (The Spirit of '46), has since announced that it would not field the Tunku, the party's 'adviser'.

Besides their dislike for Dr Mahathir, the Tunku and Tengku Razaleigh also have, in common, royal blood.

The Tunku has poor eyesight and moves about in a wheelchair, so that it will be Tengku Razaleigh who will marshal the forces against Dr Mahathir and his National Front coalition during the official 10-day campaign leading to the October 21 election.

By past standards the official campaign period is short, and by past measures it promises to be one of the most bitter. There is more at stake than

what is thought of so far as an unprecedented case of Malay political rivalry, or simply a fight between a prince and a doctor for national leadership.

The election could sow the seeds of a two-party system because opposition parties can now more plausibly offer an alternative government.

Those parties, particularly the Chinese-based Democratic Action Party (DAP), the country's largest and most enduring, have Dr Mahathir to thank. In 1987, Dr Mahathir sacked, rather than accommodated, all those from his cabinet who had challenged him during party elections in the April of that year.

This move, uncharacteristic of an Umno leader, laid the groundwork for the defection

of a substantial faction of Malay politicians like Tengku Razaleigh, who could link up two disparate ends of the ethnically-based political spectrum. For decades, the extreme Chinese faction in DAP has been occupying one end of it, while the Malay faction in Parti Islam (PAS) the other.

Neither side has been able to capture power alone.

One reason leading to the present changes stems from the reality that all politics revolve around ethnicity. Since no single ethnic party can command a majority in parliament, with 190 seats now, power has to be shared.

The Malays constitute half of the 17m population, the Chinese a third, and the Indians

slightly under 10 per cent. Kadazans and Dayaks make up the rest. But power is not necessarily distributed equally; and within the front, which groups 10 ethnic-based parties, that power is monopolised by Umno. Thus the Chinese in the main have frequently voted for the DAP.

Umno stood, in the past, as the sole guarantor of Malay political supremacy against the Chinese economic might.

The Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC), two of minority representative voices in the coalition, depend on Umno votes. But their presence provided a modicum of multi-racial legitimacy in governing the country.

The same appeal is now made available by the rival coalition, dubbed the "Alternative Front". This is possible because Semangat '46 provides the most essential element, the mainstay of Malays who will head the rival coalition.

Among the 13 states, Malay strength is divided and weak in Kelantan and Penang. In the Borneo states of Sabah and Sarawak, where Umno is non-existent, the regional ethnic parties there could emerge as power brokers once there is a tie in the peninsula. If the fundamental condition of a two-party system is that parties are not far apart, the Malaysian parties would fit the bill.

This means that Malay political dominance is kept intact, and no one expects that economic policies will be changed, even with a change of govern-

ment. Thus, Dr Mahathir's attacks against his opponents are aimed instead on breeding dissension among members of the new coalition.

The political attacks by '46, DAP and PAS are levelled, in particular, at Dr Mahathir, who has invited special criticisms largely because he fundamentally changed the established ways of conducting business and politics.

In business, he has unabashedly given some of the prime privatisation contracts, such as a M\$5.7m (\$1.07m) toll road scheme, to companies owned by his own party.

Dr Mahathir's political record in 10 years as prime minister has hardly endeared him to liberals, Malays and non-Malays alike.

He has challenged the constitutional role of the king; he has engineered the dismissal of five of the country's most senior judges; he has arrested many under internal security laws; and has caused far-reaching constitutional and legislative changes that affect dissent and free speech.

Dr Mahathir is going to the election with the message of "peace, stability and prosperity" and he has grounds to be confident: the country has had a good three-year run of economic growth and relative low inflation rates.

Most people, even among some of his opponents, are expecting victory for the Front. But the nature of Malaysian politics, as in economic policies, have been set on a course towards fundamental change.

Bush censure for Israel at UN

By Michael Littlejohns, UN Correspondent

IN DECADES of UN Security Council debates on the Middle East, the US has voted for only two resolutions critical of Israel and has acquiesced in just a few more by casting abstentions.

The last time the US supported an anti-Israel resolution in the Council was in June 1982, after the invasion of Lebanon.

A year earlier, the US delegation joined in the council's censure of the Israeli air force's destruction of an Iraqi nuclear installation.

A succession of US ambassa-

dors to the UN have repeatedly vetoed proposals to condemn or deplore Israeli actions. But although the Security Council meeting on Tuesday night to agree on an on-the-spot UN investigation of Monday's bloody incident at Jerusalem's Temple Mount, was adjourned without agreement, the US did issue its strongest ever condemnation of Israeli actions.

The main argument in the Security Council was over sending a UN investigative mission to the Israeli-occupied territories. The US wants the mission to be sent by the UN

Secretary-General, Mr Javier Pérez de Cuellar. Arab states want a team straight from the Security Council, with powers to make recommendations.

Fearing an erosion of its coalition against Iraq, the US abandoned its usual defence of Israel and drew up a draft resolution attacking its ally's handling of the Jerusalem violence. The Bush administration's decision to submit its own draft was a compromise alternative to vetoing the tougher resolution supported by most members of the Security Council.

Syria-Lebanon pipeline reopens

By Lara Marlowe in West Beirut

THE Lebanese Government has finalised an agreement with the Syrian petroleum office to purchase 8 per cent of Syria's oil output.

The contract marks the reopening of the pipeline between Baalbek in Syria to the north Lebanon port of Tripoli after a 14-year closure and will also revive the Tripoli refinery.

Syria will supply 20,000 barrels of Syrian light crude a day to the Tripoli refinery, representing 30 per cent of Lebanon's energy needs. The deal constitutes a small

reassertion of central government authority in Lebanon. Official oil imports stopped after the government split into two factions in September 1982.

Lebanon's Tripoli and Zahrani oil refineries were shut down and the domestic fuel market was left to a handful of private entrepreneurs who built their own storage tanks and exploited shortages and fluctuations in exchange rates to reap large profits.

The oil will come from Syrian oilfields near the Iraqi border. "We are buying from Syria because the oil is good quality,

because it will lower our transport costs and because we have good relations with Syria," said Mr Souren Khamamirah, Lebanon's petroleum and industry minister.

Mr Khamamirah said that Lebanon's central bank had issued a letter of credit for \$1.8m to cover the first shipment of 50,000 tonnes of Syrian light crude.

The letter of credit had to be increased by \$8m when oil prices rose after Iraq's invasion of Kuwait. Final price will be determined when deliveries start later this month.



Pretoria frees 21 prisoners

The South African government released 21 political prisoners yesterday as part of a pledge to free all activists convicted of anti-apartheid acts, AP reports from Cape Town.

Mr Thabo Mbeki (pictured left with his mother) was one of 18 released in Cape Town. Three others were freed from prisons in Johannesburg and Pretoria. Most of those released belong to the African National Congress. They had two to five years remaining on sentences that included convictions for terrorism, sabotage and treason.

The ANC has demanded the release of all political prisoners, estimated at up to 3,000, before it will enter full-scale negotiations with the government on ending apartheid.

Bhutto's husband is held on charge of extortion

By Farhan Bokhari in Lahore

MR Asif Ali Zardari, husband of Ms Benazir Bhutto, Pakistan's deposed prime minister, was arrested in Karachi yesterday on a charge of extortion.

Later his arrest charges were broadened to include two charges of use of undue influence in obtaining bank loans during Ms Bhutto's 20 months in power. Her government was dismissed in August on grounds of corruption.

Ms Bhutto said that her husband's arrest was politically motivated.

In the October 24 general elections, Mr Zardari faces a contest against the son of Mr Ghulam Mustafa Jatoi, Pakistan's interim prime minister. Ms Bhutto said her husband's

arrest would not prevent her from continuing her campaign against President Ghulam Ishaq Khan.

Later she visited her husband at a jail in Karachi. Mr Raja Qureshi, Mr Zardari's lawyer, said he would file an application today to seek Mr Zardari's release on bail.

Mr Zardari was granted bail on other charges by a court in Karachi last week. At that time the court also instructed him to deposit his passport and national identity card.

Mr Qureshi said that he would file another application to ensure Mr Zardari was examined by two doctors every day while in police custody, to ensure he was not maltreated.

The man who would be king of India's have-nots

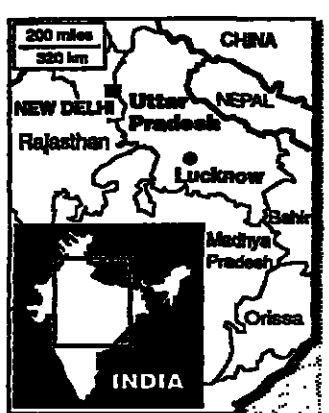
David Housego meets the state leader who is pushing the 'backward castes' to the political forefront

ANYBODY trying to understand the social upheaval taking place in northern India soon comes face to face with Mr Mulayam Singh Yadav.

The son of a peasant farmer from a remote village in Uttar Pradesh province, he has proved over the last 10 months to be one of the most decisive and independent chief ministers that the ill-governed state - the largest in the country with a population of 140m - has had in over 30 years. Virtually unknown outside Uttar Pradesh before he took office as a result of the Janata Dal victory in the 1985 elections, he is now spoken of as a potential prime minister.

In the current tense atmosphere of the north, he is the main responsibility during the coming weeks for preventing caste and Hindu-Muslim conflicts erupting into further violence as Hindu fundamentalists bring to a head their campaign to build a Hindu temple at Ayodhya on the site of a 400-year-old mosque. The risks were underlined over the weekend as details emerged of the slaughter of an estimated 200 Muslims in villages close to Ayodhya in the wake of Hindu-Muslim clashes.

Squat, heavy-shouldered and with deep-sunk eyes, Mr Yadav marks his difference from India's political establishment by refusing to talk to a foreign journalist in English. "You speak in your mother tongue," he says in his office in Lucknow, the capital of Uttar Pradesh, "and I will speak in mine." He leaves no doubt that while it is a matter of policy to



him to speak in Hindi, he also understands English.

Up to now, most Indian politicians have believed that English is necessary to modernise the country and as a medium of communication between different linguistic regions. Mr Yadav, however, sees English as the language of the privileged élite whose

ALARM GROWS OVER RISING DEATH TOLL IN CLASHES

The toll of daily violence in India has become so great as to cause alarm even in this country which has long learned to live with human suffering, David Housego reports.

Tuesday - the last day for which full figures are available - was probably worse than most but it was by no means exceptional and the overall scale of killings has become so great that many Indians talk of a potential breakdown in their law and order machinery. Here is what happened in different parts of India as reported by the news agencies and the press on Tuesday.

■ In southern India, about 40 people were

influenced he wants to reduce. In his brief period as chief minister, Mr Yadav has already insisted that English be banned from use in state government offices. "English should not be a compulsory medium of education, or of getting a post in government or in the judiciary," he adds: "I want to remove English from public life. Those who want to study it (voluntarily) are welcome."

Mr Yadav is the most visible symbol of the shift in the balance of power taking place in northern India as the increasingly aggressive and powerful lower castes seek to push the upper castes from their dominance over government.

As his name implies, Mr Mulayam Singh Yadav is a member of the Yadav (cowherd) sub-caste - one of the northern farmer castes that has prospered on the back of land reform and the "green revolution". The Yadavs, with another member as chief min-

ister of Bihar and a third as a minister in the central government, are one of the most vociferous of the so-called "backward castes".

Mr Yadav was among those who put strong pressure on Prime Minister V.P. Singh to push through his controversial programme of reserving 27 per cent of jobs in central government for the backward castes. The measure by itself is not sufficient to improve the position of the backward castes, he says. "But it is a symbolic gesture, as government jobs are a prestige thing."

Mr Yadav claims that the Hindu upper castes who have been behind the huge demonstrations against job reservation are also leading the crusade to build the temple as a symbol of Hindu unity. The Hindu radical BJP party are "behind both movements" - the anti-reservation demonstrations and the temple issue, he says.

He has made clear that he

will not allow the temple to be built and is bringing a strong paramilitary force to Ayodhya to demonstrate his seriousness. He has also organised rallies throughout Uttar Pradesh to promote harmony between Hindus and Muslims.

But behind this secular image there also lies cold political calculations. Mr Yadav is seeking to organise an alliance of the "have-nots" of India (the backward castes, the Muslims and the untouchables) against the "haves" (the Brahmins and the other upper castes).

Mr Yadav's strength is that unlike Prime Minister V.P. Singh - whose government is falling apart through drift and indecision - he is prepared to act tough.

He ordered the arrest of one of the four spiritual leaders of Hinduism, the Shankaracharya of Dwaraka, over the Ayodhya dispute when his officials hesitated to do so. He has also detained the farmers' leader, Mr Mahendra Singh Tikait,

who has intimidated central and provincial governments by the size of his following.

The (Brahmin) civil servants who work for him are amazed and amused at his blunt approach. When he came to Delhi to lobby for a chemical plant for the state, he told the minister concerned that he wanted a rapid response - and brushed aside objections about bureaucratic formalities.

Now 51, Mr Yadav got his political ideas in the 1950s from Mr Ram Manohar Lohia, a Marxist agrarian reformer who believed that small industries should be encouraged.

Mr Yadav remains strongly critical of the late Prime Minister Jawaharlal Nehru's emphasis on industrialisation. "Nehru's policies are principally responsible for the backwardness of this country because he always emphasised heavy industry at the expense of agriculture," he says.

Like many of the "backward caste" politicians who first entered the state assemblies of Uttar Pradesh and Bihar in the 1950s, he does little to conceal his links with local gang leaders. Mr Yadav has often shared a public platform with "Anna", a mafia boss in Lucknow.

During his political career, Mr Yadav has often quarrelled with Mr V.P. Singh. He supports him now, largely because of Mr Singh's job reservation programme.

But if Mr Singh should fall, Mr Yadav clearly sees himself as one of the power brokers in the making of a new coalition - thus advancing his own claims to be prime minister one day.

Gandhi fails in move to wield party power

By David Housego in New Delhi

MR RAJIV GANDHI, the former Indian prime minister, suffered a political setback yesterday when the southern state of Karnataka - one of the few states still under the control of the Congress Party - was placed under direct rule from Delhi, David Housego writes.

Mr Gandhi exposed himself to this tactical manoeuvre by prime minister V.P. Singh's administration by his abrupt dismissal at the state level to secure the removal of Mr Veerendra Patil, the state's chief minister, and a senior Congress leader in the south.

Mr Gandhi announced at the weekend that Mr Patil would be stepping down in the wake of a vote of no confidence. Mr Gandhi expressed concern at the state government's failure to control recent Hindu-Muslim riots and at the ill-health of Mr Patil.

The importance of Karnataka to Congress is that the south accounts for the bulk of the 198 seats in party has in parliament, and is thus, since last November's election, the main bastion of the party's strength.

In the past, Mr Patil would have humbly accepted his marching orders - particularly as many in Congress agree with Mr Gandhi. But angry at the way he had been treated, Mr Patil announced he would not resign.

In an effort to put pressure on him, 12 ministers in his government - all Gandhi loyalists - yesterday resigned their portfolios.

This provided an opening for Mr V.P. Singh who, through



Gandhi caught out by Singh

the state governor, announced that Karnataka would be brought under direct rule from Delhi and the state assembly suspended.

Congress has an overwhelming majority in the Karnataka assembly. Mr Gandhi's humiliation will be quietly welcomed by many senior Congress leaders anxious for a more democratic party organisation.

But the exercise also shows that Mr Singh - now under attack on many fronts - is ready to twist the constitution, a practice he criticised when Mr Gandhi was in power.

the state government
of Louisiana has
a budget deficit of
\$1.5 billion for the
fiscal year 1990-1991.
The state has a
population of 3.5 million
and a gross state product
of \$100 billion. The
state is a member of
the Southern States
Association and the
National Governors' Association.



UK NEWS

MetroPower seeks to supply London

Veba unit backs plan to power railway network

By James Buxton, Scottish Correspondent

LONDON Underground, the city's commuter rail network, yesterday launched a joint venture with German and Scottish electricity utilities that could become one of the largest independent generators in the home counties.

The new company, MetroPower, is to study ways of increasing the capacity of London Underground's two existing power stations at Ladbroke Grove and Greenwich from 230MW to about 700MW.

This could involve investment of about £500m in new combined cycle gas turbine equipment. MetroPower, which will initially have a nominal share capital while detailed plans are drawn up, is a joint venture with Scottish Power, the larger of the two Scottish electricity companies, and Veba Kraftwerk Ruhr (VGR), one of the largest generators and distributors of electricity in Germany.

New generating equipment would be installed in the existing buildings. Whereas the existing plant meets two-thirds

of London Underground's needs for electric traction, the new equipment would be able to meet more than twice the underground railway's needs.

London Underground, a public sector company, had formerly planned to close its two power stations and rely on supplies from the electricity market.

Construction of the new generating plants would depend on contracts for the sale of the surplus output and would be financed by borrowing against those contracts, with only 15 or 20 per cent coming from equity. That way, neither the taxpayer nor the passenger would have to fund the new generating plant.

The participants believe there are good prospects for sale of power under commercial contracts to large users and into the generating pool of England and Wales.

Sir Donald Miller, chairman of Scottish Power, said a large part of the initial engineering studies would be carried out by his company in Glasgow.

Company car buyers resist lure of Japan

By John Griffiths

JAPANESE cars, even those built in the UK, are still facing resistance from UK companies, many of which still will not have them on their purchasing lists, a senior executive of Hertz Leasing said yesterday.

Mr Geoff Owen, general manager of the vehicle leasing and fleet management group, said that while many companies now offered a wider choice of company cars to their employees, including European-made cars, few extended this choice to Japanese-made vehicles.

He said that Nissan's new medium saloon contender, the Primera, had more potential to attract company purchases than the Bluebird it replaces.

But he indicated that both it and the similar-sized car Toyota plans to build at its Burnaston plant in Derbyshire would have difficulty gaining entry to high-volume company fleets where the vehicles were not being used merely as "perk" cars.

Mr Owen said Toyota, Nissan, Mazda and Honda were being much more successful in the "perk" car sector, where their sporting cars were winning wide acceptance.

Jaguar bares its teeth over work practices

Michael Smith on the trials facing a car maker seeking to reform workplace culture

DISBELIEF was expressed by one motor industry personnel manager yesterday when he heard of plans by Jaguar, the US-owned luxury car company, to overhaul the working practices of its employees. His surprise was not so much at what Jaguar was aiming at, but at where it was starting from.

The company still operates a quota system whereby employees stop work after they have produced a specified number of cars in a day. "Good grief," he said. "Virtually all companies require workers to carry on producing until the end of a shift."

Jaguar's proposals include demands for manual workers to agree to the removal of job and union demarcations in all areas, to take on individual responsibility for quality by "seeking out and repairing" faults, to commit themselves to "never ending process improvement" in conjunction with supervisors, and to agree "practical steps" to reduce unofficial work stoppages.



Jaguar employees check cars coming through the final stages of the production line

of three owned by the company - suggest it will not be easy for the company to steer them through.

Mr Ian Inglesant, an 18-year-old line worker, said the company's demands were totally unreasonable. "Inspection is the job of inspectors, not us. Our job is to fit components. We cannot do any more."

Mr Peter Brassington, 38, said the company's proposals were draconian. "People already work as hard as they

can. Output has risen enormously but real pay has gone down. We do not have time for self-inspection."

The issue for Jaguar is not productivity, which is recognised to have risen rapidly, but the lack of change in its work practices compared to competitor companies.

Professor Gareth Ellys, specialist motor industry economics at Cardiff University, says the problem stems from Jaguar's concentration on improv-

ing volumes and quality in the early 1980s when it was struggling to survive. "There was no time to attack working practices," he says. "Extra output came through the time honoured method of piling in extra workers."

Ford's takeover of Jaguar at the end of last year made rapid change inevitable. The company has been at the forefront of work practice changes among US and European car companies. Mr Bill Hayden, Ford of

Europe vice-president and now Jaguar chairman, believes changes are essential before Ford agrees to invest in raising annual output from a present level of about 50,000 cars to more than 150,000 by the end of the century.

The precise nature of changes being sought at Jaguar will only become clear as negotiations on this year's pay deal progress. They will incorporate much of the philosophy behind reforms introduced in the last five years at Ford's main UK plants.

Those changes are designed to erode traditional demarcation lines separating production from maintenance workers, unskilled from skilled workers and blue collar from white collar workers.

Jaguar did not say so in its letter to employees this week but the company is also likely to push for the further spread of teamwork. Although it has introduced teamwork in two relatively small areas, the concept is very much in its infancy compared to other companies.

Teamwork, with its increased flexibility of workers, is at the heart of Ford's industrial relations strategy. The move to improve self-inspection among workers similarly mirrors developments at Ford. The teamwork plans, it seems, are already being laid.

Britain warned over fading role in European TV

By Raymond Snoddy

THE UK has lost its chance to play the leading role in the new competitive European broadcasting industry, Mr Marc Tessier, managing director of France's Canal Plus International warned yesterday.

Mr Tessier, a senior executive with the pay-television company, told the Financial Times conference that the British TV industry, "once the most advanced in Europe", had steadily lost the initiative "in favour of other European players whose strength has been continuously reinforced".

Most British broadcasters had stayed apart from Europe

Radio, said that despite plans for new commercial stations it would be hard to push the BBC below a 50 per cent audience share in the early years of commercial network development.

A national pop radio network was unlikely to go wrong unless the winning applicant overbid. The other two commercial national networks - a non-pop channel and a speech-based channel could both struggle "requiring strong nerves and something of a long pocket if things go wrong".

Mr Peter Ridd, director general of the Radio Authority, emphasised that the new authority intended to introduce services in a way that should not undermine the listener's success that independent radio already seems to enjoy.

The authority would be delighted if commercial radio managed to shed its "2 per cent (of total advertising expenditure) image" and take its rightful place among other media.

Mr Michael Darlow, chairman of the Independent Programme Producers' Association, accused the government of having been "bamboozled" into abandoning its clear policy pledge that at least 25 per cent of programmes broadcast on both ITV and the BBC will be supplied by independent producers.

The government had acquiesced after a skilful campaign by broadcasting bureaucrats through the use of exceptions, to water down that pledge from 25 per cent to 8 per cent.

Mr Will Wyatt, assistant managing director of BBC Television, said that the corporation was busy commissioning independent programmes for the heart of its output and that there was "nothing mealy-mouthed, nothing grudging or tight-fisted about our policy for independent production".

Lord McGregor of Durris, chairman of the Advertising Standards Authority for the past ten years, is to be the first chairman of the new Press Complaints Commission.

The Commission, which is now being set up in the wake of the Calcutt Report into the press and privacy, will take over from the Press Council on January 1.

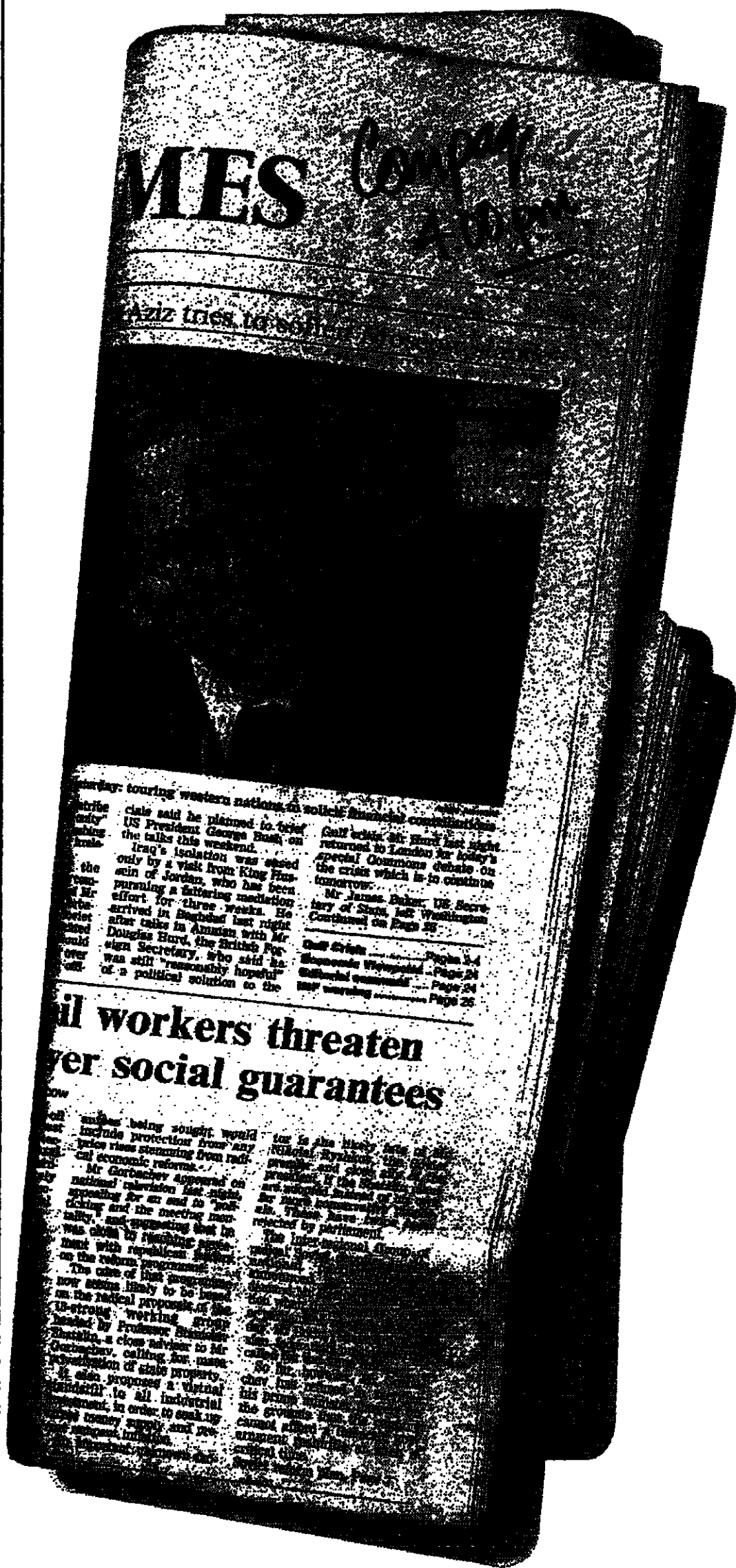
The new body is widely seen as the UK newspaper industry's last chance for self-regulation in the face of government



Lord McGregor: New role follows warnings that legislation will follow if it does not put its house in order within a year.

Lord McGregor was offered the job by representatives of the entire UK newspaper industry. The Home Office is now being consulted on the industry's choice.

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COMPAQ

UK NEWS

Tories export values to eastern Europe

By Ralph Atkins

LOCAL difficulties with the British electorate have not undermined the Conservatives' zeal for promoting their values in the former communist countries of eastern Europe.

This afternoon 18 eastern European politicians will be welcomed on to the Tory party's annual conference platform by Mrs Margaret Thatcher, the prime minister.

Mr William Waldegrave, foreign office minister, told a meeting at the conference in Bournemouth, on the English south coast, that the party has "a great task" in helping forge the centre-right parties emerging in Europe.

Hurd tells Nato to review future alliance policy

By Bob Maunier

NATO countries must review the scope and purpose of their alliance in the light of the latest developments in Europe and the Gulf and pay much more attention to threats from outside the alliance's area, Mr Douglas Hurd, the foreign secretary, said yesterday.

While admitting that the justification for Nato could become much less clear with the virtual disappearance of the threat of a surprise Soviet conventional attack, Mr Hurd nonetheless stressed that Nato remained necessary.

He told a fringe meeting at the Tory party conference that Nato provided a "convincing insurance policy" as long as the Soviet army remained the largest in the world and the Soviet Union and eastern Europe were in a state of flux.

That did not mean sticking to the exact formula devised for the Cold War. The object of reviewing the alliance's scope was to identify those interests which Europe and North America had in common, including democracy and the rule of law, and then to decide how to defend them.

However, Mr Hurd did not see Nato's role as that of "the world's policeman". Its central role would remain that of defending the Nato area.

The task for the 1990s would be to strike a new balance between the roles of Europeans and Americans within the alliance, not to make a straight choice between an Atlantic and European security policy.

In the past year, the Conservative party has sent teams to offer practical help - sometimes, as in Romania, as basic as a supply of paper - for new centre-right parties.

Government policy is that the emerging democracies should be encouraged to join the European Community as soon as reasonable.

Mr Waldegrave told the fringe meeting that "Europe without eastern Europe is not Europe at all". Shrugging off a warning by Mr Michael Heseltine, the former defence secretary, earlier this week

about the social consequences of a flood of economic refugees, he said: "We hear the peoples of eastern Europe saying their eventual membership of the European Community would be the final episode of their 'homcoming'."

The Foreign Office plans to travel in the new year plans for a "political foundation" to promote political plurality in emerging democracies - in less developed countries as well as Europe. It is negotiating with the Treasury for government funds, probably less than £10m, for a foundation operating on a similar lines as the US

National Endowment for Democracy.

Grants would be passed onto political parties of all complexions by the body which, under its charter, would include representatives of the main British parties. Meanwhile, Conservative central office has been establishing links with counterparts in Hungary, Czechoslovakia, Poland, east Germany and Romania.

The common link is that all are "doctrinally congenial" to the British Conservative tradition, according to Sir Geoffrey Ffytche, a vice-chairman of the party.

TORY PARTY ANNUAL CONFERENCE

Major to predict cuts in inflation and interest rates

By Philip Stephens, Political Editor

MR JOHN MAJOR, the UK chancellor of the exchequer, will today reassure the Conservative Party faithful that both inflation and interest rates will fall sharply in the run-up to the general election due by mid-1992.

In a keynote speech to the Tories' annual conference, which is expected to confirm his status as the leading contender to eventually succeed Mrs Margaret Thatcher, the prime minister, Mr Major is also expected to provide a glimpse of his own ambitions to broaden the party's appeal to the less affluent.

He is likely to rule out, however, any prospect of a deliberate pre-election boom to take advantage of Britain's full membership of the European Monetary System.

Party managers gathering in Bournemouth, on the English south coast, hope that the chancellor's speech will provide a much-needed lift to a conference which has so far lacked excitement and clear direction.

Mr Major's deep-rooted concern for the emphasis of Conservative policies to be placed on providing social and economic mobility for those at the lower end of the income scale is seen as offering considerable electoral benefits.

His speech will follow a concerted ministerial attempt yesterday to refute the charge of the Labour opposition that the Government has failed to respond to public pressures for better public services and for greater attention to be given to "quality of life issues".

In one of the more impressive speeches so far this week, Mr Chris Patten, the Environment Secretary, underlined his belief that preservation of the environment will remain one of the central issues in world politics.

Announcing a series of initiatives to create new forests, protect the countryside and to pay for the restoration of fine churches, he said that the Government would ensure that care for the environment was on every government and town hall agenda.

Mr Neil Kinnock, the opposition Labour Party leader, sought to re-open differences within the government on the European Exchange Rate Mechanism by challenging the prime minister to open the forthcoming Commons debate on Britain's decision to enter.

Mrs Thatcher yesterday confirmed that a debate on ERM entry will take place after the Commons reassembles next week.

She insisted, however, that Mr John Major, the chancellor of the exchequer, will open the debate for the government.

In a letter to Mr Kinnock, she said this was appropriate, since ERM entry was an important matter of economic policy and it had been the Chancellor who had announced the decision to apply for membership.

In an attempt to highlight the prime minister's long-held reservations about entering the ERM, Mr Kinnock responded by saying it was "extraordinary" that Mrs Thatcher was not prepared to open the debate herself.

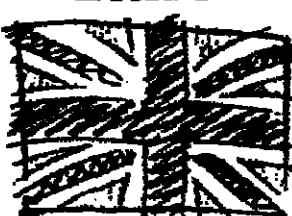
Replying to her letter, Mr Kinnock said: "It is also strange that you intend to avoid the obligation to set out your reasons - as prime minister - for the government's decision and for its timing and to give your view of the implications for the UK and its people."

"On an issue of this magnitude, the reason that you give - that it is more appropriate for the chancellor of the exchequer to lead - is frankly unconvincing".

In the debate, Labour is expected to demand explanations for the timing of the decision and the changing of the conditions for British entry from those originally set out after the Madrid summit.

It is also expected to challenge the government how it would respond to the industrial restructuring and possible rise in unemployment forecast to follow entry in the ERM.

BRITAIN IN BRIEF



Saatchi & Saatchi loses top executive

Saatchi & Saatchi, the embattled advertising group, has lost one of its most senior executives following the resignation of Mr Paul Bainsfair as managing director of its main London advertising agency.

Mr Bainsfair's departure has fuelled speculation in the advertising industry that he may be planning to start a new agency with Mr Dave Trotter, who was dismissed as creative director of Gold Greenlees Trotter, another leading London agency, after a boardroom row earlier this summer.

NatWest chief warns banks



Lord Alexander: risks

A warning that tougher competition in the banking industry will increase the risk of bank failures was given by the chairman of the National Westminster Bank.

Lord Alexander said: "The almost forgotten concept of failure in the banking industry arises again. Companies may, as we have seen recently, enter

the industry. In the future companies may be forced to exit the industry."

Although it was the duty of banking supervisors to prevent such instability, Lord Alexander went on "it does not wholly prevent banks, in reaction to fierce competition, taking higher risks to secure better rewards, or taking wrong decisions as to the way in which they should diversify".

Beer drinkers sink 30m pints

Figures issued by the Brewers' Society show that total UK beer consumption in 1989 was 38.6m barrels, virtually the same amount as in 1988 despite the hot summer weather.

The British are drinking less per head (194.9 pints) than 10 years ago (217.1 pints); and though the UK is the third largest brewing country in the world, consumption per head now lags behind that of the Germans, Czechs, Danes, Belgians, Austrians, and New Zealanders.

In terms of overall alcohol consumption, the UK is 20th in the international league table. The French drink almost twice as much.

Five cleared over IRA leaks

Five Northern Ireland men were cleared of charges brought in connection with the John Stevens inquiry, the controversial investigation into allegations of collusion between loyalist paramilitary organisations and elements within the province's security forces.

Belfast magistrate's court heard that four of the men had been held in custody for several months and all were charged with possessing documents about IRA suspects.

Cities face flood risk

London and at least nine other major cities of the world are at risk of a "flood catastrophe" from a rise in sea levels caused by global warming, according to researchers at the University of East Anglia.

In a report published yesterday they say the design of the Thames Barrier does

not take into account sea level rises due to global warming and its safety margins are likely to be exceeded by the year 2030.

Electricity profit warning

A warning will accompany the profit forecasts in the privatisation prospectus of the 12 regional electricity companies, under an arrangement agreed between the companies and the Government.

The warnings will indicate the factors such as the weather or oil prices which are critical to each company's profit forecast.

Gummer hits US over Gatt

In an unusually outspoken attack on the US, Mr John Gummer, the agriculture minister, called for the replacement of America's "megaphone diplomacy" over the General Agreement on Tariffs and Trade (Gatt).



John Gummer: outspoken

negotiations for realistic proposals, for reducing food subsidies.

To applause at the Conservative Party conference in Bournemouth, he insisted: "We are not going to lay waste our countryside in Europe just to allow the American mid-west to take over our markets".

Insolvencies on the increase

Company insolvencies rose from 9,427 to 10,456 last year, according to official figures contained in the Insolvency

Service's annual report.

The report shows that 9,365 individuals went bankrupt last year, up from 8,507 in the previous year.

Last year, the Service - now an Executive Agency within the Department of Trade and Industry - received 3,294 reports on unfit conduct by directors.

BT to charge 43p for enquiry

British Telecom confirmed that it intends to charge 43.5p (37.5p plus VAT) for each directory enquiry from April next year.

It will simultaneously cut the cost to customers of local, national and international calls by an average of about six per cent to conform to its licence obligations, which require it to hold a basket of its main prices to a level set by the retail price index.

Most developed countries charge for directory enquiries, but BT said comparisons were difficult because of different levels of subsidy. In the US, the average charge is 22p, in Japan, 20p, in France 37p and in Germany 8p.

Union draws up blacklist

A blacklist of financial services companies which refuse to adopt European Community social charter measures is to be drawn up by the MSF general technical union.

Mr Roger Lyons, MSF assistant general secretary, said the union was by-passing the UK government because it was cynical about the government's commitment to the charter. The list would be sent directly to the European Commission to form part of an annual report on the implementation of the charter by member states.

Cathedrals win green funds

English Heritage, the official body which looks after monuments and other historic buildings, can expect around £2m-£3m in extra funding from the Government in 1991-92 which will be earmarked for repairs to the nation's historic cathedrals, and comparable buildings of other religious denominations.

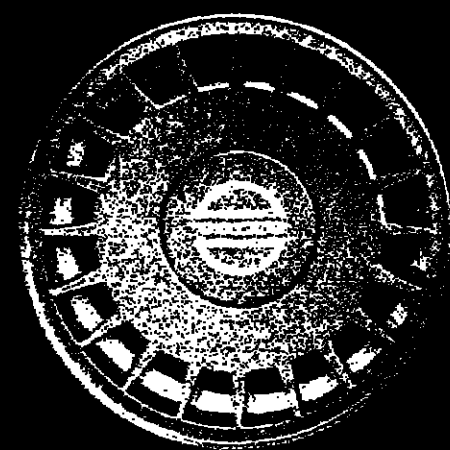
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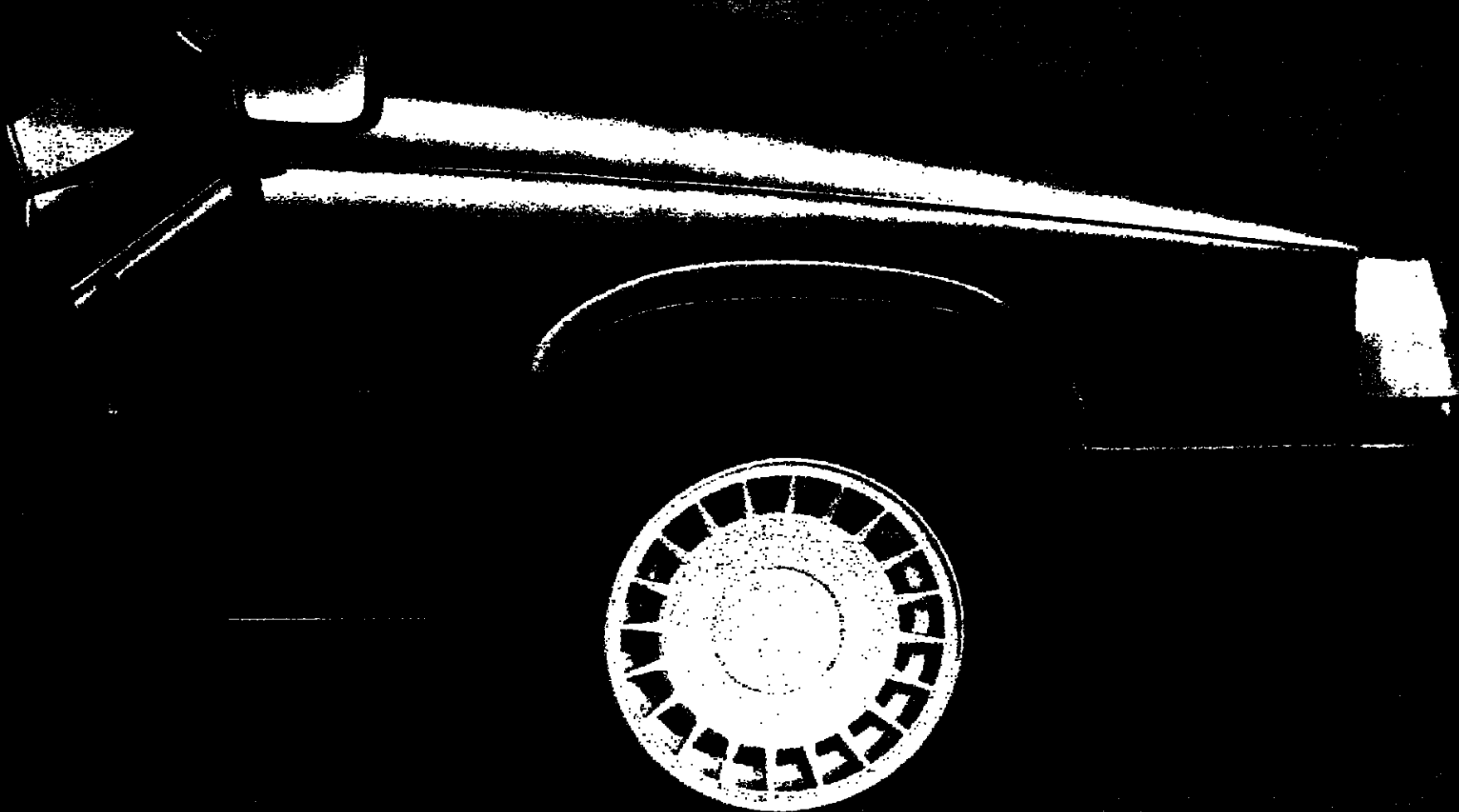
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BUSINESS LAW

Misplaced doubts on EC mergers

By Sir Leon Brittan

ARE SOME of the more jaundiced comments about the European Community's merger regulation really justified? Two weeks ago in this column doubt was cast, for example, on the regulation's ability to provide one-stop control. But a careful reading of the regulation should dispel much of this doubt. After all, let us not forget that the regulation was specifically designed by governments to provide a one-stop shop. Indeed Britain was the country that was keenest on it for that reason.

Establishment of a single authority for controlling "concentrations" was a central condition for the British government's agreement to the regulation last December. They insisted that it was essential, for ministers saw it as a system which would lighten the bureaucratic load on companies involved in mergers and takeovers, laying down a strict timetable for decision and removing many of the uncertainties which have existed until now. That is certainly how we see it in the European Commission.

So will business and industry really get the one-stop shop after all?

Jurisdiction to deal with cases under the regulation is divided by means of a threshold. The Council of Ministers chose a purely arithmetical threshold based on turnover, above which the Commission normally has exclusive jurisdiction, thus ensuring a clear demarcation line.

A merger or acquisition will be notified to the Commission if it exceeds the turnover threshold. The case will then be for the Commission to consider under the regulation's rules and procedures; there will be no member state jurisdiction to consider such a merger.

There are only two narrowly circumscribed exceptions to this basic rule: where a particular deal threatens to create a dominant position within the territory of one member state, or where there is a strictly defined public interest issue.

Under Article 9 of the regulation, a member state may make an application to the Commission, saying that a particular merger threatens to create or strengthen a dominant position within its territory or part of its territory. The Commission can agree

with the member state that the merger is a particular threat to competition within its own territory and refer the case to the national authorities for analysis under the normal procedures applicable there.

This possibility has led to the view that this is a loophole in the regulation. In fact it is no such thing, because the Commission may take two other, quite different decisions on the national application. It may, still agreeing with the member state that there is a threat to competition in the territory concerned, decide to take up the case itself by applying the normal rules and procedures of the regulation without referral to the national authorities.

The Commission may also disagree with the member state's argument and rule that there is no threat to competition. This could be, for example, because the Commission does not accept that the national territory is a relevant market in competition policy terms.

In such cases the Commission would simply inform the member state of its decision that the application is rejected. There would be no referral back and that would be the end of the matter, subject only to judicial review by the European Court.

There is no breach here of the one-stop shopping principle. The Commission is firmly in the driving seat in deciding whether or not a case is better dealt with at Community or national level, if there is indeed a case at all.

The second, and the only other exception to the principle of exclusive jurisdiction above the threshold is contained in Article 21 of the regulation. This concerns the public or legitimate interest which a member state may wish to seek to pursue on non-competition grounds.

Once again, this is not a general public interest exception to the regulation's rule of jurisdiction. Mergers have direct consequences on markets. They may also have indirect consequences, or side-effects, in other areas of public policy.

In discussion with the member states, we were able to identify three such areas: public security, plurality of the media and prudential rules for the financial service industries. A merger may be perfectly

innocent in competition terms, but have undesirable consequences in any of these three fields for a member state.

In these circumstances, it is perfectly reasonable for the member state to be able to act, because in doing so it is not applying competition law at all, but is applying a quite specific, different policy that has been authorised by the Commission as a whole.

A member state will therefore be able to take the necessary measures, but only the necessary measures, to provide for public security, media plurality and respect for prudential rules in the context of a merger under the Commission's jurisdiction.

The measures taken by the member state must be the minimum necessary to achieve the objective in question and must always be in full compliance with the general principles and rules of Community law. The Commission will be vigilant in applying this provision.

The three areas of public interest identified in the regulation may not, however, be exhaustive. The regulation takes account of this by providing for an application procedure, whereby a member state may communicate to the Commission any other claim of public interest. The Commission will then have to consider the member state's application in the light of the general principles and provisions of Community law and give it an answer within a month. The national authorities may not take any measures until the Commission has given its decision.

Once again, it is perfectly clear that this is not a general loophole or exception to the one-stop shopping principle. It most certainly does not enable a member state to claim the right to stop any merger it disapproves of by simply claiming that it has a legitimate interest to object to the merger.

The Commission remains in charge of the authorisation procedures and will accept intervention by governments only where this is compatible with the regulation's underlying principles and Community law more generally.

It should not be thought that the one-stop principle was designed just to please the Commission and industry. There is much in it for the member states too. For below

the threshold, the Commission has to respect fully the basic principle of exclusive jurisdiction for the member states.

There is only one exception to this exclusive jurisdiction, the third and final exception to the general principle, where the national authorities ask the Commission to intervene in respect of a competition problem in their territory. In other words, there is a sort of agency arrangement whereby a member state may call upon the Commission to deal with a national or regional competition problem. There is no question of double jeopardy or multiple shopping. It is a simple extension of the co-operation which prevails in the competition field between the Commission and national governments.

It is true that the thresholds contained in the Merger Regulation are too high for the Commission's licence and we expect to see them come down within four years. Nevertheless, we will lobby the regulation as it stands and will not anticipate the lower thresholds in advance.

So what will our relationship be with the national authorities? It will certainly involve constant co-operation. We do not see the national competition authorities as the rivals or adversaries of the Commission. They will receive copies of important documents and will come together as an Advisory Committee to express their view to the Commission.

But of course it will be the Commission alone that takes the decisions.

The regulation seeks to provide for a clear division of tasks between the Commission and the member states. This is reflected in the choice of the turnover threshold. Turnover was chosen as the criterion for jurisdiction for that very purpose. It is in some ways a blunt and even arbitrary instrument, but it has the great merit of clarity which business and industry will certainly come to appreciate.

With any new legal instrument there will always be room for argument at the edges, particularly with a regulation of such importance. But the central concepts are not in doubt, and one-stop shopping is at the heart of them.

The author is vice-president of the European Commission.

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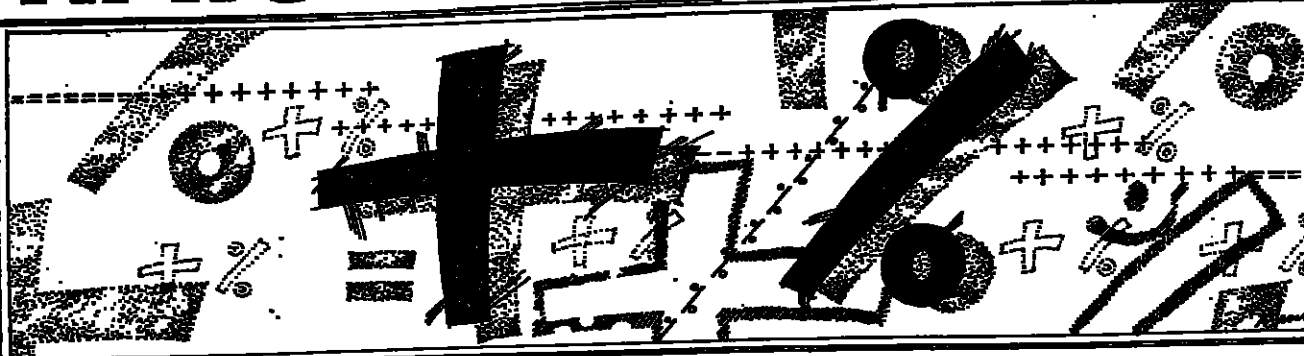


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ITALIAN INDUSTRY

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TECHNOLOGY

Calls for a cheaper directory

HOW MANY directory enquiry calls does your company make each week? Ten? One hundred? Even more?

Yesterday's announcement by British Telecom that from next April it will charge 43p for every call will have sent many managers straight to their calculators, eager to work out what this means to the corporate bottom line.

Surely there must be a better way of getting an up-to-date phone number than this, they may ask. Short of turning to the phone book or to Mercury (which charges 50p plus VAT for all its directory and enquiry calls), there are two solutions, both offered by BT.

The first is Phone Base, and can be used by anyone - in the office or at home - with a PC and a modem. Using these the enquirer can communicate directly with BT's directory database in Sheffield.

About 20 names, addresses and numbers can be displayed on the screen at any one time. The user then scrolls through to find the appropriate one. Phonebase has been available as a trial service for some time, and is available generally to anyone using BT's Prestel viewdata service.

BT believes Phonebase will be used by small companies needing between 20 and 300 numbers a week or by companies that need completely up-to-date information.

For companies needing more numbers on a regular basis BT is planning a second service called Phone Disc. With Phone Disc the 17m numbers in today's phone books are stored on a 550 Mbyte compact disc. An updated disc is posted to subscribers every three months. To use the service the business needs a PC and CD-ROM drive, which can be wired into the company PC network so that anyone in the building can look up the required number from his or her desk.

Neither option is particularly cheap. With Phone Disc the charge is £2,200 a year. With Phone Base the caller is only charged for the call, at a rate (equivalent to making a call from London to Manchester). And there may be the need to buy the equipment.

Della Bradshaw

The world's computer and consumer electronics companies are manoeuvring for position in what they expect to become one of the great growth areas of the 1990s in both the home and office multimedia.

Multimedia means mixing audio, video, graphics, text and numbers by computer on to a screen. Defined broadly, the term encompasses any combination of sound and pictures on a computer, including video-games.

Worldwide sales of multimedia products and services are already worth \$6.4bn this year, according to a market forecast by the Information Workstation Group of Alexandria, Virginia, and they will be reach \$34.1bn in 1994.

"I believe that multimedia will be the most important force of change in the business computing environment of the 1990s," says Rob Lipincott, business development director of Lotus, the big US personal computer software company.

In the home of the late 1990s, the multimedia machine will be a computerised entertainment centre combining and expanding the functions of today's audio and video systems, television set, games machine and home computer.

Most multimedia software will be delivered on a compact disc. The pictures must be converted from the analogue form of conventional video and television to digital code so that they can be manipulated by computer.

Multimedia CDs will build on the CD-ROM (compact disc read-only memory) format, launched in 1985 by Philips of the Netherlands and Sony of Japan as a standard medium for distributing information to personal computer users.

CD-ROM has been restricted until now to a mixture of text, sound and static graphics or pictures. The storage capacity of a CD is 600 megabytes, equivalent to 1,500 floppy discs or 250,000 pages of printed text. That sounds impressive but it is quickly overwhelmed by the immense volume of data required to encode digital video. A single CD can hold only about three minutes of full-motion pictures.

Video is therefore the main technical obstacle in the way of multimedia. In recent years the electronics industry has made progress towards overcoming it, through "compression" technology.

Increasingly complicated algorithms (mathematical processes) are being used to squeeze redundant or surplus information out of video signals, so that they can be transmitted or stored in the smallest possible space without unacceptable loss of picture quality. Both intra-frame coding, which reduces the information content within a single picture, and inter-frame coding, which squeezes out surplus data from one frame to the next, are used.

Several rival multimedia systems are under development:

Clive Cookson describes how computerised audio, video and graphics will transform the home and business environment

First auditions for the multimedia show

Intel, the US chip manufacturer, has DVI (Digital Video Interactive) - a set of chips designed eventually to turn any personal computer into a multimedia workstation. Intel says the cost of adding DVI to a PC will fall to \$500 by 1992. Intel's powerful corporate allies include IBM, which is developing the technology for its PCs. Olivetti, which is adapting DVI for Europe, and Thorn EMI, which is marketing DVI in the UK.

Philips of the Netherlands has CD-I (Compact Disc Interactive). This is aimed primarily at the consumer market, running on a dedicated CD-I machine with specified hardware and operating system. Several other leading consumer electronics companies, including Sony, Matsushita and Pioneer of Japan, are supporting CD-I. So is Kodak, the US photographic company, which is developing a CD-I camera. In a month, it is compatible with CD-I. Motorola, Intel's arch-rival, is making video compression chips for CD-I.

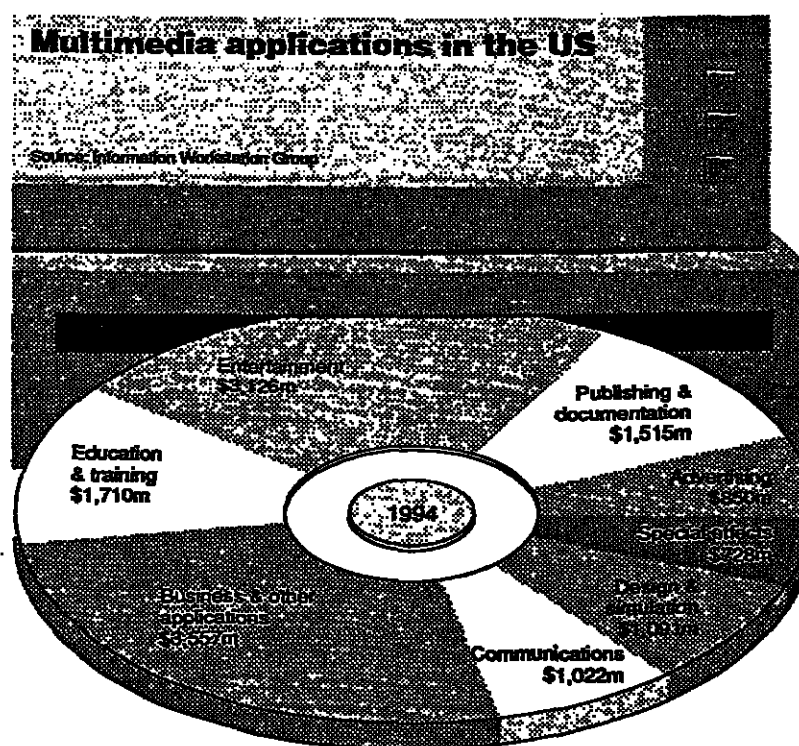
Commodore, the US microcomputer company, has CDTV (which stands officially for Commodore Total Vision, though the company is quite happy for people to think it means CD Television). Commodore worked secretly on CDTV for two years before announcing it early in 1990. Its launch is scheduled for the beginning of 1991 in the US and UK - a year ahead of the technically more ambitious CD-I.

Apple, the independent-minded US computer company, is devoting huge resources to its own multimedia strategy based on the Macintosh PC. These four systems have different emphases - Intel and Apple are going primarily for the business market, while Philips and Commodore see consumer applications as more important. Even so, they will soon be in head-on competition.

Philips is developing a wide range of business and professional applications for CD-I ahead of its consumer launch. For example, Renault, the French car company, will use CD-I to distribute training material to garage mechanics worldwide in their own languages. Philips will launch the first professional CD-I player in London next week, at a fringe event of the Time 90 Multimedia conference.

Commodore too is exploring business applications for CDTV. With the next two months it is planning to send out 2,000 machines to UK consumers, businesses and schools, in a large field trial of CDTV before it reaches the shops in March 1991. A pilot scheme is under way with Derbyshire County Council to use CDTV to teach Japanese and show pictures of Japanese culture in local schools, in preparation for the opening of the Toyota car plant in 1992.

Conversely, Intel is talking about making home DVI systems in collaboration with the consumer electronics industry. The cost of DVI chips is falling fast and Steve Case, European marketing engineer for DVI, says the company has calculated that a home DVI player could be put on the market today for \$1,500. "I think it's going to be a couple of years before there's a multimedia battle in the High Street shops," he adds.



The success or failure of multimedia will be totally dependent on the software available," says Steve Franklin, Commodore's UK managing director. The company is therefore following the example of Philips, Apple and Intel in giving independent software developers the financial and technical encouragement they need to create imaginative multimedia CD applications.

The hardware manufacturers are also working with established publishers on multimedia ventures. Last week, for example, Robert Maxwell agreed with Philips to set up a joint venture company called Maxwell Multi Media, to produce a series of self-teach language courses for CD-I based on the Berlitz method.

"The conditions are right for Europe to become the world centre for multimedia software," says Isobel Pring, a London-based multimedia consultant working for Intel. At present the various multimedia systems are completely incompatible, though all the companies say they

will make their proprietary systems comply with standards for video compression and multimedia being drawn up under the auspices of the International Standards Organisation.

Accepted international standards are likely to bring new players into the field, who will be unencumbered by any residual commitment to proprietary systems. LSI Logic, the Californian chip company, has already announced a set of video compression chips, based on the emerging standards.

The drafting process is almost complete now and new multimedia systems will probably comply with the international standards from 1992. Even then, however, they are likely to be incompatible in practice: a user will not be able to swap a multimedia CD between DVI and CD-I or CDTV and Apple, because the computers that run them will still have different operating systems.

From the viewpoint of the software developer, however, the incompatibility of the rival systems is not an insuperable obstacle. "It would be marvelous if there was just one standard which everyone supported, but the world's just not like that," says Jan Mauldin, managing director of the London-based Multimedia Corporation (formerly the BBC's Interactive Television Unit). "The only thing for a software developer now is to be very broadly based."

Mauldin points out that it is becoming increasingly cheap and simple to convert programs from one proprietary computer format to another.

The favourite platform for creating and processing multimedia software is the Apple Macintosh. A promising newcomer is Edit One, just launched by Eidos, a UK start-up company; this is based on the Acorn Archimedes microcomputer with a re-writable optical disc.

No multimedia system announced so far can play full-screen full-motion digital video from a CD with a quality that matches analogue videotape, videotext or television. DVI comes closest: its compression system can squeeze 72 minutes of full-screen video on to a CD, but the quality suffers if there is a lot of rapid movement. However digital multimedia systems can offer good quality video on a "window" covering less than half the screen, because that requires less data to give acceptable pictures.

Steve Case of Intel says that continued progress in silicon technology and compression software will push DVI picture quality towards high definition television (HDTV) resolution later in the 1990s. At the same time, DVI will comply with agreed international standards.

Another important ingredient of multimedia in the office will be videoconferencing. The workstation of the late 1990s will enable an executive to mix any combination of graphics, sound, text and financial analysis on the screen - and to take part in a videoconference without leaving his or her desk.

Hard luck for video pirates

A NEW satellite entertainment service, offering 80 film channels and other broadcast material for home viewing, is about to be launched in Washington state.

The service, called Skylix, has attracted several entertainment producers, including Paramount, Disney and Universal - partly because of the anti-piracy techniques incorporated in the system.

The technology is based on digital videocompression, which enables up to 30 channels to fit into the bandwidth of a single satellite transponder. It will be broadcast via a medium-powered Ku-band satellite.

The package consists of a small antenna (size will depend on geographic location) and a computerised remote control receiver. The receiver, with an eventual capacity of 250 channels, will decode programme transmissions. Skylix intends to offer the service in the US for around \$700 (£235).

Unauthorized copies of films will be simple to identify because when a recording is made on to a videotape, a mark is stamped once every second, making it possible to trace pirated copies to their source. According to Brian McCauley, Skylix president, the company can also scramble the signal in such a way that pirated films cannot be taped at all.

The company says that viewers using its system will have access to virtually continuous home entertainment on demand, with the most popular films starting over 15 minutes after a request. Digital format on both the video and audio stereo will produce sharper reception.

The company faces competition from other videocompression service companies which are developing similar techniques. The regional phone companies, which also want access to the cable market, present a further competition.

Skylix is confident that its lead will allow it sufficient time to move ahead, but believes the pond is big enough for everyone. Video rental stores, however, may not feel the same way.

Rio Howard

MANAGEMENT: Marketing and Advertising

Why AGP is keeping its own company

The WPP subsidiary has so far decided not to emulate the global ambitions of its competitors, Alice Rawsthorn reports



Gene Grossman: spent hours considering whether to form affiliates

It remains to be seen whether AGP will stick to this strategy in the long term as the other leading identity consultancy becomes more internationalised. Lander Associates in San Francisco has virtually completed its international network. Siegel & Gale in New York has established a base in Europe and now plans to move into Asia. Wolff Olins in London is increasing its activity in Europe.

The expansion of these consultancies increases the competitive pressure on AGP to expand internationally too. But for the foreseeable future it will continue to concentrate on its traditional territory.

"Three or five years from now you might see a different picture," says Joel Portugal, AGP's managing director. "But right now I can think of lots of failed international design firms and not a single success."

The AGP of today is a compact company with a staff of 50. It is run by Joel Portugal and Gene Grossman - Russ Anspach retired a year ago - together with five other partners. Portugal and Grossman are very different characters. Portugal is a flamboyant figure with a good line in acerbic quips. Grossman is milder in manner.

They refuse to disclose details of profits and income. However AGP's competitors are convinced that its margins are between 30 and 40 per cent, far higher than the industry average of roughly 10 per cent. Two years ago AGP was bought by Martin Sorrell's WPP Group in one of the most lucrative deals in the design industry. WPP paid \$12m (£8.4m) upfront and agreed to pay up to \$24m in earn-outs - or performance-related payments - by the end of 1993.

"The money was not an issue," claims Portugal. "We did not desire it. We are not driven by it. We are totally oblivious to it."

The real rationale for joining WPP, he says, was that it offered access to an international network of advertising agencies and marketing services companies that AGP can draw on for information and logistical support.

"If we are looking at a problem for Dow Chemicals or Hewlett Packard in Europe then I can pick up the phone to someone like Jan Hall (head of the Coley Porter Bell design consultancy in London) and say 'Hey, wait a second Jan. Give us some help on this one'," says Portugal.

However, WPP leaves AGP to its own devices and that is how it likes it. "It is a free-wheeling thing," says Grossman. "That is one of the reasons why we went with WPP; Martin (Sorrell) convinced us that he would make no demands on us whatsoever."

"He bought this business without ever setting foot in this office," says Portugal. "That is how strongly we felt and how clever he was. He read our lips. Martin has come to the office since then but only when we invited him."

The US corporate identity market, like the rest of the design industry, has become markedly more competitive this year. One reason is the dearth of mergers and acquisitions, which provided an important catalyst for the market in the 1980s. Another is that companies are reluctant to commit themselves to long-term identity projects at a time when the economic outlook is so uncertain.

So far AGP has emerged unscathed. Grossman says AGP has maintained "the same rate of growth" under WPP's ownership. It has won 10 new clients - including Arthur Andersen and K-Mart - so far this year, roughly the same number as in previous years.

The scope of its projects is wider than ever. When AGP first started the main issue for its clients was the backlash against "big business" generated by the rise of student militancy and the anti-war movement.

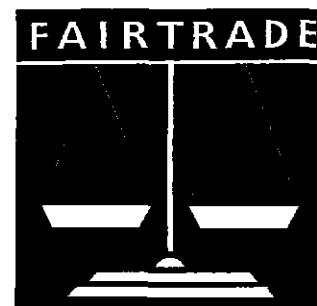
Now in the early 1990s it is tackling other issues - from environmental concerns to employment affairs. Its recent projects have ranged from GE's new corporate identity to Optima, the first American Express credit card, and a new corporate identity for the new US interests of Rhone-Poulenc, the French industrial group.

"When we started out corporate identity was really all about logos," says Joel Portugal. "Now our clients are more sophisticated in their understanding of what we do. Our business is about helping people to solve problems. There are always new problems to be solved. And that is the fun of it."

Customer awareness

Fair trade set to join free-range as a USP

Andrew Jack reports on the attraction of justice



The symbol (above) for use in the UK (below) takes a step further than that used in the Netherlands and Belgium (below)

The consumer with a social conscience could soon be on the lookout for a new label on products on British supermarket shelves if retailers can be persuaded of its value to them. The label bestows an endorsement on products obtained by "fair trade" with the less-developed world.

In the wake of the Woolmark, the British Standards Kitemark and the recent spate of health- and environment-friendly labels, Fair Trade Mark, a consortium of third world development groups, is beginning negotiations for its own eye-catching symbol.

The group is proposing a seal to identify goods for which producers are paid a fair price, and their employees are treated justly and receive a reasonable wage. The initial focus of the campaign is on tea, coffee and cocoa - commodities subject to wide price variations on which the livelihood of thousands of small farmers around the world depends.

The concept of fair - or alternative - trading is already well established in Britain's charity shops and religious networks. Oxfam and Twin Trading, for example, offer products from small farmers and co-operatives. So does Trudacraft, a Newcastle-based distributor of Third World handicrafts and food. Across Europe, sales of fair trade goods are estimated to be around 55m a year.

But Fair Trade Mark, which includes all of these organisations, is trying to take the idea "from the margins to the mainstream," says Martin Newman, the group's marketing adviser. At the end of this month, it will be approaching UK retailers, wholesalers, manufacturers and trade associations for research support and ultimately test marketing.

To indicate the level of consumer support, the group cites a Gallup poll taken in July 1989, in which 79 per cent of consumers said they would pay more for a product if a higher price meant better wages for producers. Two-thirds of those

says Bert Beekman, the foundation's general secretary. The biggest problem was that he did not have control over the size, colour or positioning of the logo on the coffee packaging. Factors being taken into account for the Belgian logo, which may be turned out to be more stylised than its Dutch equivalent when the next stage of the marketing campaign is launched later in the year.

Beekman warns that while 30 per cent of Dutch consumers say they support fair-trade coffee, the amount sold with the Havelaar logo - currently at a 40 per cent premium per quarter kilo - represents only 2.2 per cent of the market. This share has been gained in just two years, however.

It also points out that retailers have been reluctant to stock decaffeinated fair trade coffee - likely to appeal to many more of what he calls "progressive" consumers - arguing that the sales increase would be too small to justify the extra shelf space.

In the UK, Fair Trade Mark is likely to face similar problems. Richard Fugh, technical manager for Tesco and mastermind of the chain's recent addition of organically grown produce and free-range chickens and eggs, says: "Fair trade sounds more like a question of a moral judgment. I need the weight of scientific opinion to adopt a new idea with confidence."

But he adds that the decision to stock new products is increasingly the result of a partnership with customers. If they want fair trade goods, "they will tell us," he says.

A spokesman for the Co-operative Wholesale Society says it is always receptive to new ideas, but that a new trade mark will have to stand out, since so many confusing logos already exist. It might prefer to display the logo on the shelf rather than the packet.

Above all, he warns, "without sufficient promotion, fair trade products will mean nothing to the consumer. A logo is only useful if it gets so much publicity that the products it endorses become the norm."

Corporate hospitality most cost-effective

David Churchill reports on a way of increasing business and retaining existing custom

Which part of the marketing mix is considered more effective than advertising, exhibitions, direct mail or other forms of sales promotion? Somewhat surprisingly, eight out of ten companies in a recent survey of over 300 businesses from all sectors believed corporate hospitality was a more cost-effective form of marketing - even though they spent less than 5 per cent on average of their marketing budgets on corporate entertaining of clients and customers.

Researchers Business Marketing Services believe that in the present tight economic climate, companies may increasingly turn to corporate hospitality as a way of generating new business and retaining existing custom.

"We found that only a direct sales force was considered a more effective marketing tool," says David Dower, a director of Business Marketing Services. "So a combination of a highly motivated sales team and well researched and planned corporate hospitality would be the best way to achieve maximum returns from limited budgets."

The problem, however, is that many companies fail to identify properly their target audiences when planning entertainment. In particular, the researchers found that those companies which used corporate hospitality for attracting new business rather than rewarding old clients achieved good results. "But it needs to be handled with some sensitivity as many companies are worried that this smacks of bribery," adds Dower.

Many potential guests are also becoming rather blasé about corporate hospitality; a day at the races, for example, is still the most popular type of event but one that many managers now feel is becoming a bit hackneyed. A separate survey of 435 executives found that, on average, some seven invitations were refused each year while five were accepted.

Those surveyed were looking for more novelty in the events to which they were invited, with a greater emphasis on participation, such as playing golf or other sports. Many executives, however, also preferred evening events such as theatre trips which included their partners, thus enabling them to minimise the

impact on their office and family lives. Average corporate expenditure on this kind of entertaining was about £190 per head for each event, the survey found. But it still remains to be seen whether companies really believe this is worth the money - or whether conspicuous enjoyment at corporate hospitality events may seem a little out of place as the UK teeters on the edge of recession.

The effectiveness of Corporate Hospitality, Business Marketing Services, Barley Mow Passage, London W4 3PH. £95.

ARTS

Berlin PO

GLASGOW ROYAL
CONCERT HALL

The final rites of initiation on Glasgow's new hall can get on with the business of supplying the city with a regular and varied diet of events. The cream of its first autumn of orchestral concerts is contained within a "World Orchestra" series - the Bolshoi, Leipzig Gewandhaus and London and Israel Philharmonies are expected over the next two months. The series has been launched this week with two concerts from what is still the greatest import of all, the Berlin Philharmonic, conducted by Kurt Sanderling.

In his report of the official opening of the concert hall, Richard Proulx, who has been its artistic director since its opening in 1988, said: "The hall is a masterpiece of modern architecture, with its sense of inner space and the overwhelming richness of the sound. The acoustics have been tweaked a little since then: from a seat at the back of the steeply raked circle the sound is no longer overwhelming, or even pulsing, but definitely on the cool side, analytical, highly revealing. The registration of some details was extraordinary, though that could prove too much of a good thing, as the orchestra's sound is so clear and the xylophone stays resolutely detached from the main body of sound, accompanying lines taking on lives of their own."

There are many orchestras, but the Berlin Philharmonic is the one that has made the hall a success. The string tone seemed not as opulent as in the past, but whether that was just a function of this hall, or of Sanderling's more purposeful, more microscopic examination of every phrase distinctly unflecting. The Berlin Philharmonic, of course, is not one of those. One can report that in its post-Karajan state - not yet quite bearing the Abbado imprimatur - the orchestra is at the perfect finish of every element, as if it were a single entity, as if it were a single entity, as if it were a single entity.

Certainly the lesser textures made Haydn's Symphony No. 82 more acceptable on Tuesday than it ever would have been under the previous regimes. It is still not clear to what extent Haydn is playing - not, it must be said, in Sanderling's model Haydn conductor - but the spick-and-span rhythms and crystalline articulation did a great deal to mitigate the effects of such a large body of strings and opulent woodwind.

Alongside Shostakovich's Fifth Symphony the unsatisfactory Haydn palette; Sanderling conducts these symphonies with more directness than any other conductor alive. His view of the Fifth has no space for ambiguity in the finale. He views the work in a single arc from first-movement tragedy, to last-movement triumph; his choice of tempo - neither slow enough to be menacing, nor fast enough to be heroic - is still not close to his lingering fondness for the oasis of calm before the ultimate peroration, admit of no other scenario.

Rach movement contained its own quiet of certainties. His view of the end of the first was perhaps the evening's most priceless - unified always by Sanderling's structural grip. With strings as refined as these the Largo becomes a shifting web of colours, ever more poignant and never less so. With such a plethora of recorded Shostakovich around, it seems extraordinary that no one has asked Sanderling for his version of the symphonies. They deserve permanence.

Andrew Clements

CINEMA

Agonised destruction

"Can you give me a definition of grace?" asks Jeanne Moreau of the title heroine of the French film *Nikita* (Anne Parillaud). Nikita looks baffled, as what young woman would not? Especially if she were a government hit-person being trained by Moreau and others in the assassin's art. Flucked from her life sentence for murdering a policeman in a drug-store robbery, Nikita now lives in a giant lock-up warehouse lit with the moody scenes of director Luc Besson favoured in *Subway* and *The Big Blue*.

Here her handsome supervisor (Jean-Paul Belmondo) and Miss Moreau, prepares her for a life of danger, death-dealing and disguise. No wonder Nikita seeks a state of grace. Thriller about a woman who is a state of grace. Thriller about a woman who is a state of grace. Thriller about a woman who is a state of grace.

The suspicion with such films is that we are being sold a soap opera. The film is a soap opera. The film is a soap opera. The film is a soap opera.

NIKITA
Luc Besson
ROBOCOP 2
Irvin Kershner
COMMUNION
Philippe Mora
THE MUSIC TEACHER
Gerard Corbiau
HEART CONDITION
James D. Parriott

Nikita is the perkier movie, mainly because we never know where it will head next. Will the personable Milla Parillaud, a sort of Jane Birkin with make-up, become more obedient and robotic as her masters wish? Or will she rebel and run interestingly?

These questions assume, of course, that we can find her at all in Besson's iridescent, shadow-washed wide-screen images. Every shot is sleekly distorted as if reflected in the side of a limousine. Indeed with most of the characters being engulfed by the compositions (as in *The Big Blue*), one gives a large cheer for the brief and individualistic appearance of Milla Moreau. Miss M., determinedly wearing autumn-brown colours in a gunmetal-blue film, also sports a face whose swags and fissures show that in great actresses a state of grace can exist without plastic surgery. Never mind all that youthful vigour that can get lost in the high-shine visuals. It takes age and character truly to leap out from the screen and seize us by the throat.

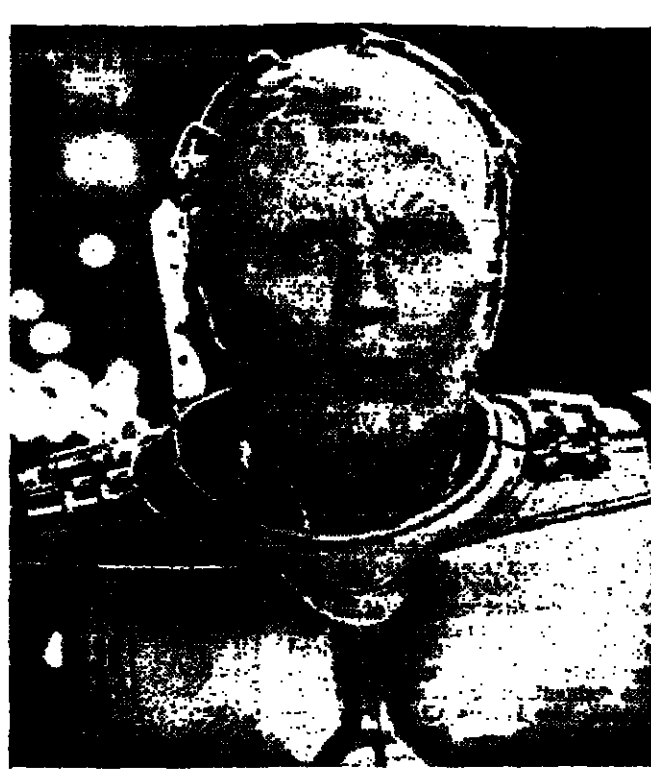
The characteristic of being a robot is that you cannot age; you can only develop more fatigue. Or in the case of *RoboCop* 2 plot fatigue. Last seen raising hell with impulsive feature in director Paul Verhoeven's accomplished original, our steely hero is now dead and over to a new director (Irvin Kershner) and to a screenplay that inspirationally recycles the old tropes. Here again are the experimental robot cops who collapse or explode on testing. Here is Dan O'Herlihy rumbling away as the Detroit super-mogul who is

privatising everything in sight, including the police force. Here is patrolwoman Nancy Allen once more caring for "the man behind the metal." And here are the gun battles and action show-downs, this time so noisily overextended that earplugs should be worn near any cinema showing the film.

Indeed the only continuing pleasure of the series is actor Peter Weller. Could he suggest a quasi-tragic humanity? Or could he suggest a quasi-tragic humanity? Or could he suggest a quasi-tragic humanity?

The reason is that as directed by Philippe Mora and written by Whitley Strieber, the film keeps going around in circles. Fact and surmise chase each other's tails. And alien-sighting set-pieces awash with bright lights and rattling furniture come round as regularly as a lighthouse beam. A small cheer, though, for Mr. Weller, whose acting is becoming more baroque than anyone else's in America. He seizes the attention here with as fine an array of tics, shrugs, blinks and airy, distant gazes as we have seen since the late Geraldine Page.

Gerard Corbiau's *The Music Teacher* has Belgian bass-baritone Jose Van Dam bravely adopting the *parlando* of straight acting. Would that the film matched his courage.



Forlorn Saint Sebastian: Peter Weller in 'Robocop 2'

Amid fuzzy, apocryphal images, a plot unfurls about a retired opera singer (Mr V.D.) training his boy and girl to hoped-for greatness. Will they win the fairy-tale singing contest in the rival nobleman's chateau? Will Mr V.D. love-truck by the girl, know when to let go? The plot spreads itself like treacle, unthinned by irony, un-sharpened by wit.

It is still better than *Heart Condition*. We cannot imagine how this comedy avoided press-gang by the video market, whose swarthy, brutal minions walk about the night streets mugging and snatching films before they have reached the large screen. Here Bob Hoskins is an American policeman whose profane, racist and guzzling life-style is rewarded with a heart attack, whereupon he becomes a transplanted organ from a black lawyer (Denzel Washington). Mr W. becomes Mr H's attendant ghost and - but wait, we have seen this plot already, have we not? In *Ghost*? Last week? Yes indeed, and I fear better done. James D. Parriott wrote and whimsically directed.

Never mind. The London Film Festival opens four weeks hence and you may begin booking now for a programme that grows with quality and quantity. I shall update you

Nigel Andrews

Out of Order

SHAFTESBURY THEATRE

Ray Cooney's new farce takes a while to warm up, but towards the end of the first act begins to have its moments. The second and final act is funny, without quite being hilarious, almost throughout. The plot, and indeed the set, are considerably better than the dialogue.

Out of Order, as the title suggests, has a Westminster background: actually, the Westminster Hotel where a Tory junior minister, played by Donald Sinden, is caught in a compromising position with one of Neil Kinnock's secretaries.

The political jokes are execrable, for example, at a moment of maximum embarrassment "This is worse than Question Time." Or again: "One more scandal for the Conservatives, and we'll have fallen behind the Liberal Democrats in the opinion polls."

But forget the political froth: this is traditional farce with all the conventional ingredients. Telephones ring inconveniently: there are plenty of doors to go through, a cupboard to hide in and a corpse (which turns out not to be a corpse) to be hidden. One additional device raises it above the ordinary. This is a sash window where the sash is unsalable and can lead to nasty accidents for anyone arriving or departing by the window rather than the door.

The characters, too, are

largely stock, except perhaps for one. This is not Sinden himself, who has a relatively straight role, though he provides some marvellous facial expressions. It is his parliamentary private secretary, George Pigden, played by Michael Williams.

Pigden is about half his minister's size and plainly belongs to that new breed of Tory MPs who have not been to public school or university. Yet also lacks the charm (or say) a Norman Tebbit.

As the evening goes on, *Out of Order* becomes Pigden's play. He goes to the brink of seducing one woman after another, including the minister's rather glamorous wife (Wanda Ventham) who, of course, turns up in the second act. The scene where he declares his passion for her in order to get her out of the way, only to find that it is reciprocated, is a triumph. It is cleverly delayed a few minutes later when Pigden has to do the same thing to his sick mother's nurse (Jacqueline Clarke).

For the rest, there is an elderly dithering waiter played by Brian Murphy and one of those officious hotel managers (Dennis Rumsden) without whom a farce of this kind is scarcely complete.

Ray Cooney directs himself, but it is Williams's Pigden and the use of the window that you will mostly remember.

Malcolm Rutherford

Phoenix Dance

SADLER'S WELLS

Phoenix Dance Company is a product of the remarkable dance culture and exceptional dancers in London. It was formed at the beginning of the 1980s as an ensemble of young black male dancers who had been educated at Harehills Middle School. Its immediate success was owed to the special physical skills of its members and to a directly communicative repertoire that seemed as much a reflection of the company's social identity as of its expansive and finely-tuned style of movement.

This year, with the addition of four women dancers to complement its six men, Phoenix has become an ensemble destined for "middle scale" (the official jargon) performance, and on Tuesday night it opened a season in Rosebury Avenue.

I have greatly admired the company in the past for the clear purpose and taut energy of its dancing. These remain as fine as ever - this is an ensemble of admirable dancers, strong in skill, sure in utterance - but the repertoire now on show is for the most part, miserably inadequate. It does no more than leech on to the dancers' abilities, nowhere enhancing them, or challenging them on any but the most cursory terms as choreography which they must seek to make interesting.

I can find no excuse for Michael Clark's *Rights*, in which idiotic costumes (by the choreographer) mince and flaunt about the stage and occasionally cluster together while a disconsolate little voice recites a litany of things it finds distressing. There is even less excuse for Darshan Singh Bhuller's *Shock Absorber*, which is as aimless and protracted as the man he places at the base of the stage to trudge interminably on an exercise machine. Tom Jobe's *Tainted Love* (kitish title of the year) is a save the mark about AIDS, and contrives to turn tragedy into a show-biz routine.

The two other pieces in the programme hold promise - not least because they use music rather than pop-trash. I thought Simon Rice's *Manic* very amusing when it was a brief and hyper-active solo which he performed himself. Now expanded for Phoenix, it looks over-extended as an outburst of the jitters set in a hospital, the dancers in candy-floss wigs, impelled in their twirling by the torments of notes from Conlan Nanarrows' player-piano studies.

Philip Taylor's *Haunted Passages* is about the disturbing thoughts that may precede sleep. It uses Britten's *Lachrymae* for viola and piano and a cast of three dancers (Ricky Holgate especially impressive) in an exercise in tension and night terrors. Its significance in this programme is that it suggests - as does the Simon Rice capriccio - a thematic and dynamic purpose to movement, its performers treated as artists rather than as cyphers to be manipulated with all the aesthetic awareness of a computer. (The Clark, Bhuller and Jobe pieces could have been made by a computer - a mis-programmed one).

The abiding impression of this evening was of talent confined, such as it is, by modish preconceptions about what audiences will enjoy, or want. The better the choreography, the better the dancers - and the better the audience - is still a sound rule, and Phoenix merits the best.

Clement Crisp

SALEROOM

Bargains at Bonhams

The nervousness of the art markets was well illustrated in two auctions this week at the far ends of the earth. The major sale at Christie's, Swire in Hong Kong on Monday, of Chinese ceramics, totalling 53.2m, but with 40 per cent unsold, was followed in London by Bonhams in London tried its hand at post-war and contemporary art on Tuesday evening and came unstuck, with a total of 2854,676 and 47 per cent unsold.

Top price in Hong Kong was the 229,000 (on target) paid for a Ming blue and white "palace" bowl. A Doucai and famille rose moonflask, of the Qianlong period, did well at 277,741. Until recently Chinese works of art of the top quality had escaped the general depression in expensive antiques.

Bonhams venture into modern art came at a difficult time; but there were bargains for buyers. "Lucas", a 1985 abstract by Gillian Ayres, was acquired for 28,800, way below its £12,000-£18,000 estimate. "Supra" by the same artist made the same price, a line with its low estimate. "Celtic Lovers" by John Bellamy exceeded its forecast at 25,720, but a major painting of the father by the same artist, estimated at up to £12,000, attracted a top bid of 27,500 and failed to sell.

Bonhams need not be too disappointed. Sotheby's cov-

Antony Thorncroft

Femme Fatale

Femme Fatale is a pleasant little tale about a man who escapes the pressures of modern life, not in his garden, not by making scale models of fighter aircraft, not by beating up his wife, but by dressing in women's clothing. The triumph of Sandra Bessie production (at The Place, WCI until the weekend) is that it approaches this phenomenon in an unsentimental, almost, mundane manner.

Jimmy (Mark Kilmurray) is in no way camp. He enjoys making love to his wife (Debbie Latt) and is as outwardly normal as any computer programmer can be. Yet beneath his suit there lurks women's panties and he only really relaxes when he disappears into the closet to wear the full female rig and become Jessica. Eventually he confesses to his wife who can cope with it as a game but loses control when she realises that Jimmy/Jessica is over-doing on transvestism, glorifying in shopping trips in drag and letting it take control of his life. There is no solution; indeed no conclusion. The short 70-min-

ute two last ends with the couple in agonised confusion. A not uncommon modern problem. It might help some, it certainly informs most.

Sharing Bessie's wallow in theatricality. The couple are clad in crime-fiction robes, Stephen Medcoff scores hugely over its dimly plodding summer parent-performance in one all-important department: the GTO conductor, Ivor Bolton, is a lively young tenor - who whistles the music forward with heroic determination. He has a similarly disposed young orchestra to work with - the GTO Touring Orchestra, super-energetic, at times slightly brash in corporate tone-quarry - and he squeezes every drop of vitality out of the score. In the desert of boredom which Act 2 becomes in this dialogue-less production, his fast speeds (which sometimes clip the heels of his singers' phrases) take on an air of desperation. A conductor here faces insuperable odds in keeping the opera alive, but Mr

Antony Thorncroft

Die Zauberflöte

GLYNDEBOURNE

Glyndebourne Touring Opera opens its 1990 season (October 9 - December 1) in the home theatre, with the Peter Sellars production of *Die Zauberflöte* first seen at the festival last May.

On Tuesday's evidence the tour is a triumph. The tour is a triumph. The tour is a triumph. The tour is a triumph.

Antony Thorncroft

Bolton's unflagging efforts, though vain, spoke well for him.

I look forward to encountering him in a real *Flute* production, as I do the Papageno of Gerald Finley: again, this was a robust tourer beyond argument. The tourer's companion, Taming, Barry Banks, cuts a touchingly credible figure, and sings vividly and fluently, though not yet with much colour-vary.

Kileen Kileen's Queen - an anonymous young woman figure in pearls and handbag - is sweetly musical, not sufficiently incisive; Amanda Roocroft's Pamina is alarmingly unfinished (this enormously talented and much-ballyhooed young soprano urgently needs to match her registers, notably the metallic top and the muddy

bottom). The main musical flaw of Tuesday's performance was the casting of a woefully inadequate bass as Sarastro.

I went along to Glyndebourne hoping that my original response to this production would be mitigated, perhaps, by the summer heat. Alas! The improvements in musical momentum and attack make its failures, if anything, even clearer. The most important of these is the failure to live up to its own premises: a promising story of updating is torpedoed by lack of follow-through (and by a hopelessly limited, cramped acting area), lack of self-devised logic, and, above all, lack of dialogue.

Under all the production's pretensions, pretensions and hand-hands, there can be found, indeed, a curious semi-staged concert performance of *Die Zauberflöte* given in front of mildly attractive changing screens: a starting, infinitely depressing saga of wasted opportunity.

Max Loppert

ARTS GUIDE

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited book on the artist's late work is on display in London, sending reviewers scurrying to explain the artist's double vision. Burlington House, Piccadilly (29-30 Oct).

Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (26-31 Oct).

Paris

Carte blanche of monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles. Marmottan's Monets. For lovers of Impressionism, the Musée Marmottan is a must - a charming town house set in greenery. It houses an important collection of paintings and drawings by Claude Monet and his friends. Claude Monet's love of London is represented by the House of Parliament. Musée Marmottan, 2 rue Louis-Bouilly, closed Mon. Grand Palais. Biennale Internationale des Antiquaires. Under the sign of Love in Paris, 1990 antique dealers, both French and foreign, cover a wide range of periods and styles and present their prestigious exhibits in a vast space evoking the splendour of the 18th century. Ends October 7.

Louvre. Synchronism. Some 60 objects, craters, amphorae and bowls testify to the art of the ancient world. Ends October 7.

red figures on black background. Ends October 12.

Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 300 paleontological exhibits. Daily ends Dec 30.

Grand Palais. Picasso. A portrait of Jacques-Louis David with his hands crossed round his knees is the symbol and the central point of an exhibition of 47 paintings, 24 sketchbooks, 10 ceramics and 247 engravings and lithographs which have come to enrich, in fact, of death duties, the French national collections. Closed Tue, Wed late closing. Ends January 14.

Musée Marmottan. The restored 17th century Hotel de Sale, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 154 sculptures and more than 3,000 drawings and engravings, 15 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque, Matisse, or by artists he admired, Renoir, Cézanne and Degas. Ends November 4.

In the gardens his Thinker broods, the Buren Celis trode to their tragic destiny and Balzac defies time. 77, rue de Valenciennes. Closed Tue. (25-29 Sept).

Brussels

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Barcelona

Fundación Miró. Joseph Bovey. Some 130 drawings on the theme of philosophical philosophy in an interchange with the Kiefer Gesell-

shaft in Hanover. Closed Monday. Ends November 18.

Venice

Palazzo Grassi. From Van Gogh to Picasso - from Kandinsky to Pollock. Opening with Picasso's 1981 Woman with Yellow Hat. The exhibition is a tribute to the 1950s Builders with Rops, this exhibition provides a truly delightful center through modern art from the late 18th century onwards. Includes in the group of paintings lent by the Guggenheim in New York are 52 works from the remarkable Tugendhat collection, none of which have been back to Europe since they were bequeathed to the museum in 1940. Ends December 9.

Bologna

Pinacoteca Nazionale. Giuseppe Maria Crespi (1685-1747). Over 100 works by a late-flourishing baroque painter, born in Bologna, whose works are now contained on a par with his distinguished predecessor, Guido Reni. His subjects range from the mythological, arcadian (endless wrestling nymphs and cherubs), to crowd scenes on local saint's days - on show is one of his best-known works in this series, the Fair at Poggio Catano) and religious works, such as The Seven Sacraments series: the latter by Crespi's influence in the city. This exhibition's next stop, Crespi's lavish and sensuous style owes much to Titian and Veronese, while his tendency to miniaturize the figures foreshadows the delicate works of another Venetian, Longhi, and the dramatic use of light

and shade is not unlike that of Caravaggio. Ends November 10.

Düsseldorf

Kunstmuseum. Ehrenhof 5. Conrad Fohrer's Around the World in 80 Days. 50 watercolours, drawings, 40 prints as well as five plaques by the expressionist painter are on display until October 26.

Frankfurt

Jüdisches Museum. Unter den Eichen 14/15. Expressionism and Exile from the most important private collection of Ludwig and Erika Fischer. 117 paintings are exhibited. Among the artists are Kirchner, Heckel, Nolde and Mueller. Until October 10.

Hannover

Sprengel Museum. Käthe Kollwitz (1867-1945). Eleven plaques, 70 prints of the politically radical artist are to be seen until October 23.

Essen

Museum Folkwang. Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. With 50 of his own paintings and 120 by other artists, it shows his impact on art in the period 1880-1914. Among the other artists are Matisse, Derain, de Vlaminck, Picasso, Kirchner, all influenced by Van Gogh. The exhibition moves to Amsterdam in Nov. Ends Nov 4. Goethestrasse 41/4200, Essen 1.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia. Germany and Europe. This exhibition in Berlin will be the first organized by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Until November 25.

New York

Brooklyn Museum. From post-war landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends Jan 6.

Pierpont Morgan Library. Treasures of Klon College Library covers 550 years of collecting including drawings of royalty, manuscripts and books among 200 borrowed objects.

Washington

National Gallery. Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kazimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union. Ends Nov 4.

Tokyo

Hara Museum. Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists - a good opportunity to observe new developments and directions in Japanese art. Opens September 28.

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
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Thursday October 11 1990

The war of nerves

WITHIN A week or two the build-up of US forces in Saudi Arabia and the Gulf will be complete. From then on President Bush will have the ability, not only to defend Saudi Arabia against any Iraqi attack, but also to take the offensive against Iraq if he so chooses.

He has been careful not to rule out this "military option", and a growing number of voices are now urging him to take it. The argument is that time is running in President Saddam Hussein's favour, and that decisive action must be taken to get him out of Kuwait before it is too late. Not surprisingly, that argument is being put with special urgency by the Kuwaitis themselves, but it comes also from the Egyptians, Saudis and other Gulf rulers. They fear that the longer the conflict is drawn out the harder it will be to keep it separate from the Arab-Israeli conflict, and that they will be caught on the Israeli side.

Those fears are by no means fanciful. But it still has to be asked whether the risks involved in war are any less. Not much would be left of Kuwait after it had been liberated by force. If he has to fight, Mr Saddam will almost certainly find a way to involve Israel, and even failing that the Arab regimes would have to face the political consequences of being accused of allowing the virtual destruction of an Arab state by US forces. No doubt Iraq's weaponry would be destroyed in the process, but how Iraq would be governed thereafter, and how sufficient stability could be restored to the region to enable western forces to withdraw, are questions to which no clear answers have been given.

Other means

That does not mean that military action can be ruled out. It does mean that military action should not be the preferred way of getting Mr Saddam out of Kuwait so long as other means still have a chance of success. At this stage it is too early to say that economic sanctions have failed.

No one can say with certainty that they will succeed, or how long they will take if they do, or even what form eventual "success" would take.

Wrong priorities in housing

THE scheme announced at this week's Conservative Party conference to convert council rents into mortgages is a logical extension of the "right to buy" policy launched a decade ago by Mr Michael Heseltine, then UK environment secretary. It will give tenants who cannot afford outright purchase a chance gradually to build up an equity stake in their houses.

This widening of opportunities for low income families is to be welcomed. But it would be unwise to expect the scheme to have more than a marginal impact on Britain's highly inefficient housing market. It will not reduce homelessness nor curb the excessive fiscal privileges of middle class home owners. It will do little, if anything, to improve job mobility. It will not reduce the still sickly private rented market. These, rather than the dogged promotion of ownership for its own sake, ought to be the housing priorities in a fourth Thatcher term.

The original right to buy scheme succeeded beyond the expectations of ministers: in the past decade about 1.2m council houses were sold while the proportion of families owning their homes rose from 57 per cent to 69 per cent, one of the highest rates in the developed world. However, the scheme's success partly reflected soaring house prices and moderate interest rates. In today's very different financial climate, mortgages of any description look a much less attractive proposition. Many former tenants are now labouring to service debts that exceed the value of their former council homes.

Revitalising estates

The rents into mortgages scheme is yet another attempt to revitalise decaying and crime-ridden inner city council estates. It follows abortive efforts to launch Housing Action Trusts (HATs), which were the great hope of the 1987 Tory election manifesto. The aim of HATs was to transfer responsibility for the running and refurbishment of estates from local authorities to businesslike trusts. But the government has been unable to generate support for the policy in spite of offering financial

The ideal would be removal of Mr Saddam by his own subordinates, but perhaps more likely is a gradual descent into chaos, ending in war either as a result of the last resort or by decision of the Allies to go in and restore order, with Iraq's ability to fight much diminished. Historically, where sanctions have succeeded, it has been by weakening one side in a war rather than by avoiding war altogether. No doubt this war of nerves is unpleasant for the armies waiting in the Saudi Arabian desert. But for the Iraqis, encircled and deprived of life's creature comforts, it must be even less pleasant. To assume that time is on their side is defeatist.

Damage limitation

Meanwhile, at least two things can be done to make time less damaging to his opponents. Financially, much more can and should be done to help those countries worst affected by sanctions, and by the high oil price. Turkey is a prime candidate on both counts.

Politically, the Arab-Israeli factor must be defused. There is indeed no linkage between the two conflicts, in the sense that Kuwait is in no way responsible for Israel's occupation of Arab territory, and should not have to wait for its own freedom until the Israeli-Palestinian conflict is resolved. But equally clearly there is linkage in the minds of the Arabs, who see the West eager to enforce UN Security Council resolutions and to prevent the acquisition of territory by war in the one case, yet unwilling to go beyond mild verbal condemnation of the occupying power, coupled with lavish economic and military support in the other case.

Nor is linkage avoided by proclaiming that the Palestinian problem can be addressed only after the Gulf crisis is resolved. In fact the establishment of an additional linkage, and a perverse one, whose main effect, especially if the Gulf crisis is going to take some time to resolve, will be to increase Arab scepticism about western good faith. Neither conflict's resolution should be made to wait upon the other. Both should be addressed with the same urgency and seriousness, and at the same time.

inducements. Low-income tenants regard HATs as a first step to the reintroduction of profit-seeking private landlords, who would charge more than local authorities while offering less security of tenure.

Rise in homelessness

The government's dogmatic desire to curb the role of local authorities and boost private ownership at any price has militated against rational decisions in housing. It has resulted in the fact that the public and private sectors should play a complementary role. Home ownership must clearly make sense for middle and upper income families in stable circumstances; even then the illiquidity of housing as an asset can pose serious mobility problems during recessions. In most economies, the private rented market is regarded as the best bet for people on moderate and variable incomes who need to remain mobile. Young workers normally fall into this category. The public and voluntary sectors provide a safety net for those on the lowest incomes, such as the elderly and welfare recipients.

Yet in the past decade ministers have drastically reduced the supply of low cost public housing (newly constructed units fell from 104,000 in 1973 to just 22,000 in 1989) while failing to revive the private rented sector. One consequence has been a serious rise in homelessness.

The government should tear down the huge, decaying council estates, rather than attempt to shift financial responsibility to the unfortunate tenants, and expand the construction of small, modern public housing. This could be largely financed by the progressive elimination of artificial incentives for home ownership: at current interest rates, mortgage interest relief alone costs £20m a year. The elimination of these tax breaks would automatically improve the economic attractiveness of private renting and thus boost job mobility. At nearly 70 per cent, the home ownership ratio in the UK is almost certainly too high; ministers should start bragging when it begins to fall and the British housing market begins to resemble its more efficient counterparts in continental Europe.

It is high noon for General Motors, the world's biggest car maker. Seven years ago it set out to prove to sceptical American car buyers that it could design and build small cars in the US, as well as or better than the Japanese in Japan. Today the result of all the effort is unveiled, the fruit of a project originally billed as a "no-year" development programme, "clean-sheet undertaking" to produce a range of small cars - in the US and with unionised labour - that would be cost-competitive with the lowest-cost imports.

Given the name Saturn, a description that summed up all the high-technology ambitions of the world's biggest industrial corporation as it struggled to come to grips with the Japanese onslaught, the project was to use "start-to-finish innovation". Finally, after an investment now close to \$4bn and a ground-breaking deal with the United Auto Workers union, the first cars are ready for the only test that matters - in the marketplace. Today GM is taking the wraps off the first products of its Saturn division, a range of four-door sedans and sporty coupes, priced aggressively against the main Japanese competitors, such as the Toyota Corolla, the Honda Civic, and the Mazda Protege. The Saturn cars will go on sale first in California - the bastion of import cars in the US - in the south and in the south-east, on October 25, and the launch will gradually spread across the rest of the US.

Saturn, founded formally as a subsidiary in 1985, is the first new nameplate added by the company in the US since Chevrolet joined GM in 1918. Named after the rocket that carried American astronauts to the moon, the project's goal was always "to design an American vehicle that can beat the Japanese in the small car race". And with a 1.9-litre 16-valve all-aluminium engine the Saturn cars appear to have achieved performance, ride, handling and styling standards to match their Japanese and European rivals. They are certainly unlike any traditional American cars.

In its time the Saturn scheme has been put down by GM's domestic rivals as "the hype of the century" in the words of Mr Lee Iacocca, chairman of Chrysler and a former president of Ford.

Now GM is ready to launch its riposte to such attacks, and in the process to meet head-on the prophets of gloom that have forecast that the company, with worldwide car sales last year of 5.74m, may not last to the end of the century in its present form.

Leading US analysts have maintained that GM was condemned to suffer a continuing erosion of its domestic US car market share - which has already fallen by a quarter from 46.3 per cent in 1979 to 34.7 per cent last year - and that it was unlikely to shake off its status as the highest-cost US car maker.

Saturn is a gambler's throw of the dice, in which GM has staked everything in terms of its credibility in the US in the small car (sub-compact) segment of the market. If it fails, the traditional US car industry can probably kiss goodbye to small car making in America.

If Saturn succeeds, however, it could mark the moment when General Motors finally began to pick itself up off the floor and halted the seemingly irresistible takeover by the Japanese. It is an immense task. Japanese car makers, led initially by Toyota, have been developing new, streamlined designs for car making that are becoming known in the west as "lean production" - as against mass production - since the early 1950s.

The development of the Japanese presence in the US has taken on daunting proportions. Japanese-badged cars captured 27.3 per cent of the US new car market in the first half of the year. The transplants, including joint ventures with US car makers such as NUMMI (Toyota/GM) and Diamond Star (Mitsubishi/Chrysler) accounted for 21 per cent of total US car output in the first six months of 1990 compared with only 14.8 per cent a year ago. Last year Japanese cars, the Honda Accord, was the best-selling car in the US, and both Honda and Toyota are threatening to oust Chrysler from third place.

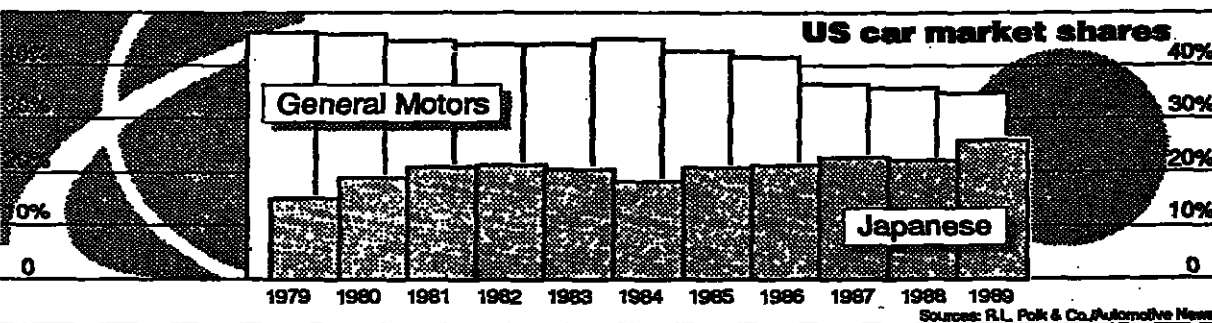
The expectations imposed on the Saturn project at different stages in its development have been enormous and exaggerated, and undoubtedly they were initially encouraged by GM's management, led Mr Roger Smith, chairman through the 1980s. He was the pace-setter in what is seen by many auto industry analysts as GM's ill-starred love affair with high technology in the 1980s. It appeared to be trying to cure the low productivity, low-quality, high-cost woes through excessive automation and the use of frontier technology, rather than taking a close and painful look at the way the corporation managed the car-making process.

Mr Smith claimed that he was preparing GM for the way into the 21st century, but for some he appeared to have forgotten the route through the 1980s and 1990s.

Can Saturn now prove that GM does have a plausible route-map for the 1990s after all? The ambition has certainly always been there. At the beginning of January 1985 Mr Smith announced the formal establishment of Saturn with the ringing words: "We

After five years on the drawing board, General Motors' challenge to its Japanese rivals is being launched, writes Kevin Done

Lift-off for GM's Saturn



expect that what we learn with Saturn will spread throughout GM, improving the efficiency and competitiveness of every plant we operate and every product we build. Perhaps more than any other factor we believe Saturn is the key to GM's long-term competitiveness, survival and success as a domestic producer."

As GM has nervously approached the launch date it has tried to play down much of the early hype. Along the way the initial Saturn capacity was reduced to about 240,000 cars a year for phase one from an earlier mooted 500,000. That could come one day, but in a second phase and only if Saturn is to be sold overseas - in Europe and not least in Japan, the final coup. The investment in the plant for phase one was limited to \$1.9bn. Phase two would follow only if phase one was successful.

But whatever modesty has crept in, during the past five years the eyes of the world auto industry will still be firmly focused on Spring Hill, Tennessee, in the coming months to judge whether GM is meeting its initial targets. GM chose to build Saturn in Tennessee in the US sunshine-belt, far from the troubled, old GM mid-west headquarters in Detroit, Michigan - but close to some of the Japanese transplants, in particular Nissan at nearby Smyrna, Tennessee.

It has built an integrated plant. The Spring Hill complex, some 35 miles south of Nashville in rolling farmland, is producing engines and gearboxes and finished cars at the same site. Saturn claims this is the first

fully integrated car production facility to be built in the US since 1927, when Ford began the historic development of its Rouge complex.

It is aiming to reach a single shift capacity of 120,000 cars a year by next April, when it adds a second shift to climb to a full capacity of 240,000 cars a year by the summer of 1991 with a workforce of about 4,000.

Saturn claims various breakthroughs in manufacturing technologies, but Mr Guy Briggs, vice-president for manufacturing operations, insists that "the most stimulating ingredient in a manufacturing sense is the blend of technology and people".

However, he does not stress the machines or processes, but the people. "You normally look at advanced technology and think of robotics, automated vision, automatic operations. But even in the most automated operation you still have to rely on people. That philosophy is the nucleus of all the technology used by Saturn."

It is already clear that the Saturn project is in a different key to the time being played by GM in the mid-1990s, when its annual report cover featured satellites and dishes, robots and computer screens. Mr Briggs says: "We set out with the aim: how do we consistently make a great car for the customer? We built the process to accomplish that and then we said: what technology do we need to do the job best?"

Central to the Saturn experiment was the early decision to develop the project in partnership with all

so-called "stakeholders": the workforce and the United Auto Workers (UAW) trade union, the suppliers and the dealers. Saturn workers are all called team members. The organisation is built around action groups - primarily manufacturing, design, development and engineering, and sales and marketing - and resource groups - the support staffs such as finance, communications, organisation development and people systems.

People systems is Saturn-speak for the personnel department, but the company has truly broken new ground in delegating the actual decisions for hiring individual employees to teams of assembly-line workers. The six-15 member teams also have full responsibility for quality control, and all line workers are empowered to stop the assembly process to solve problems at source.

For the moment, and it is still very early, Saturn probably has one of the most enthusiastic and motivated workforces in the world auto industry. If such commitment can be maintained, it clearly has big implications for the future of unionised labour in the US auto industry. Saturn was founded on a 1985 pact formed by GM with the UAW, which otherwise has seen its membership rapidly eroded by the growing numbers of non-union Japanese transplants, such as Nissan's neighbouring Smyrna plant.

The concepts behind Saturn grew out of visits paid by the original Saturn teams - the so-called "Group of 30" drawn from across GM - to 49 GM plants and 60 other companies around the globe in two months in early 1984. They travelled 2m miles and put in 50,000 hours of work. Out of this came two basic conditions:

- a process of resolving conflicts based on consensus, where participants must be able to "buy in" to 70 per cent of the consensus decisions and show a 100 per cent commitment to implementing them;
- the concepts would be more competitive if technology and resources were fully and properly integrated, meaning "the people using the manufacturing tooling and equipment should be involved in its lay-out and design".

Saturn claims to be ahead on various technology and organisation fronts:

- it is using solely single source suppliers with no duplicate suppliers for a common part or service;
- it expects the inventory turnover rate to be the best in the world;
- there are 126 receiving docks for incoming components for delivery to be made to the point closest to where they will be used on the manufacturing floor;
- main aluminium engine and gearbox components will be cast on site with the pioneering so-called lost-foam process. Saturn claims this will allow it to "leap-frog the competition in both quality and cost";
- Saturn is the first US car maker to produce automatic and manual gearboxes simultaneously on the same assembly line;
- the Saturn car's body structure is based on a steel spaceframe with hang-on thermoplastic body panels for all exterior panels except the roof, hood and boot lid. Saturn claims it is the first car maker to use thermoplastic technology and applications on a large scale. The panels can be re-used and reprocessed and Saturn will reprocess its own scrap. The panels allow rapid design flexibility which can greatly speed up the development of new models.

Mr Iacocca says his reaction to GM's early claims for Saturn was "Holy smoke, this goddam car is going to fly". GM does not claim that, but it does claim that the company can out-compete the Japanese on what has become their own territory, such as parts of California where, in certain districts, imports account for as much as 90 per cent of the market. That would be achievement enough.

Cobblers to the Commons

■ Sole looks like being on the House of Commons menu during a lunch shortly.

The nation's shoe repairs are coming to London to air their concerns at meetings with MPs and civil servants. The trade has been in retreat for years, and recently has been battered by the ubiquitous canvas/plastic trainer. Conventional footwear has given ground to a point where some youngsters may grow up without ever donning a pair of leather shoes.

"It is really women who keep the shoe repair trade going now", says Ray Kloss of Shoe and Leather News.

Eighty per cent of the work comes from them. A shudder goes through the trade at even a hint that British women may be persuaded to discard their stilettos for something flatter, and not so quickly worn down.

In self-defence the trade is rallying to the newly-formed British Shoe Repair Council. Its chairman, John Timpon, is uniting the multiples and the independents under a single banner, and is leading them to Westminster.

A 19th-century statesman said you could wage that every little backstreet conspiracy had a cobbler behind it. Today's cobblers entering the Commons will have nothing more wicked on their lips than their traditional prayer for rain.

Yet enough, they hope to see out that hole in a politician's shoe.

No contest

■ The BBC is about to have something rather unpleasant happen to it.

The corporation hoped to persuade the government that the present method of financing the licence fee - a straight link with the Retail Price Index - was so sensible

that it should continue. It was not to be. The government, which has had its problems controlling the RPI, decided that it could at least control the level of the licence fee.

Yesterday there was an extraordinary beauty contest at the Home Office with six consultants, including PA Consulting and Price Waterhouse, pitching for the task of carrying out a seven-week study of BBC finance and the licence fee.

David Waddington, the home secretary, firmly set the agenda by decreeing that the winning consultants should advise on a sum less than RPI. But all is not lost for the BBC. It is going to be allowed a say in choosing its executive. BBC finance director Ian Phillips was at the beauty parade to help choose the consultants that are going to find ways of underlining his balance sheet.

Science seat

■ The Cabinet Office has hired Professor Bill Stewart as its new chief scientific adviser, leaving his previous employers to find a replacement quickly.

But the Agricultural and Food Research Council has now secured the services from next January of someone whose credentials mark him out as another possible future CSA. Tom Blundell, aged 48, is to be the new chief accounting officer of the £150m-a-year research council.

Blundell is professor of crystallography at Birkbeck College, London, a post he has held for 14 years.

Under his guidance this department has grown mightily with research that spans the science and medical as well as agricultural research councils.

Blundell is a molecular biologist who specialises in resolving the crystal structure

OBSERVER



"Are you intending to heckle?"

of living molecules. His science is therefore in tune with the research programme Stewart drafted, which is heavily weighted to molecular biology and the "genetic engineering" of animals and crops.

Blundell has also been digging himself deeply into the management of national science, as chairman of the Biological Sciences Committee of the Science and Engineering Research Council and as a member of the steering committee for the national Aids research programme.

Most recently, he has also become a member of the government's Advisory Council on Research and Technology. That body is occasionally chaired by another scientist, Margaret Thatcher herself.

Grounded

■ President George Bush's attempt to act in the spirit of the partial three-day shutdown of the US government and save money backfired at one point.

Heading back to Washington from his Camp David retreat

he took a 75-mile road trip in a four-door recreational truck rather than the usual black stretch limousine.

Unfortunately his motorcade got caught up in a traffic jam and had to weave its way around a construction site.

Meanwhile, the presidential helicopter, on standby at Camp David, flew back to Washington empty. Symbolism does not always save money.

High risk

■ All writers take the risk that their books will be overtaken by events by the time they are published.

But Jeffrey Robinson, author of *The Risk Takers - Five Years On*, really climbed to the end of the tree branch and invited fate to saw it off.

"O ye of little faith," begins his chapter on Asil Nadir, citing the phenomenal rise of Polly Peck's share price during the 1980s and castigating those who had not backed it. He ends the paragraph with the ringing denunciation: "And yet there are still some folk in the City who think he's a flash in the pan."

True grit

■ A chemist from Farnborough has a cautionary tale of the dangers for contractors who inquire too deeply into their clients' activities.

A.N. Moses, writing in *Chemistry in Britain*, tells how, while working for Beckitts in Hull in the 1930s, he was in charge of making smalts - a finely ground glass used chiefly to whiten the best-quality papers.

But he also had other customers who regularly ordered small amounts. Curiosity overcame him one day about the use to which one regular in Sheffield might be putting his ground glass. He sent a salesman along, who discovered the customer was using it to whiten his sugar cake icing.

the architects of time

-1911-

LES AMBASSADEURS

CHRONOMETER, 100% SWISS MADE, 28,800 VIBRATIONS PER HOUR, 30,000 HOURS GUARANTEE, CASE IN 18K GOLD

ECONOMIC VIEWPOINT

No bed of roses after recession

By Samuel Brittan

It is no longer news that the UK is in recession. What has still to dawn on many people is that the recovery is likely to be incomplete until well into the 1990s and thus long after the election.

Output should reach its bottom point at the end of this year or early in 1991. As interest rates decline, confidence recovers and stockbuilding restarts, some upturn in production is likely despite the squeeze on profit margins in the exposed external parts of the economy resulting from ERM entry at a moderately high exchange rate.

Nevertheless most medium-term forecasts show that output will grow by less than productive capacity and that the margin of slack will increase. Typical projections suggest output rising over the next three years by an annual average of 1½ to 2 per cent, while capacity grows by 2½ to 3 per cent. The pain may not be so obvious for the unemployed as in the 1980s because of the demographic fall in new entrants to the labour force. Nevertheless increases of up to 500,000 from the recent low of 1.6m (that is a rise from about 6 per cent to nearly 8 per cent) are frequently forecast.

Despite my unchanged scepticism about short-term forecasts, these medium-term projections seem in the right ball park. For if inflation is to be reduced on a durable basis to say 4 per cent per annum and British real wages in the 1980s are to be more or less the same as in the 1970s, then downward pressure on the goods and labour market will have to continue for some time. Even after that a higher margin of slack than we have been used to in the past few

Downward pressure on the goods and labour market will have to continue to reduce inflation

years will be needed. There will doubtless be temporary periods of quite high growth when the recovery in domestic demand, as interest rates drop, more than offsets the pressure on manufacturing and other exposed external parts of the economy.

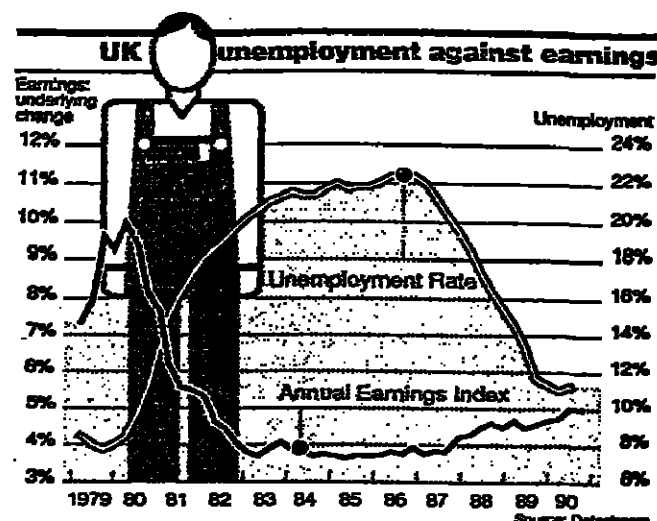
There may also be a window of political opportunity for the Conservatives some time in 1991-92 when the favourable effects on their popularity of falling interest rates might exceed the damage from rising unemployment. Such fine balances are important for psephologists but trivial pursuits

for the rest of us. In view of the unreliability both of short-term forecasts and the relationships supposed to exist between government popularity and various economic variables, Conservative party managers would be well advised to concentrate on planning the election campaign and not waste their time trying to guess when it will be.

The most interesting question about the Thatcher era is very different. It is how far did the long expansion of the 1980s reflect a genuine supply side improvement and how far was it just a swing from severe recession to renewed inflation? This links up with the more hypothetical question: at what rate will unemployment stabilise when inflation is finally squeezed to a low level and growth returns to trend? The name for this rate is the "NAIRU", or non-accelerating inflation rate of unemployment. I cannot altogether avoid this jargon term.

A first inspection of the chart is gloomy. The growth of earnings per worker stabilised at 7½ to 8 per cent per annum in the mid-1980s when unemployment was about 8m, or nearly twice as high as today. It required a rise to this level merely to stem the inflation after Labour's pay policy collapsed in the early 1980s. More recently, when unemployment began to drop, earnings growth has risen again.

Of course the chart represents an oversimplified view. There are other variables, especially in the short term. Pay rises, for instance, as well as the rate of change of unemployment as well as its level. There is an all too clear link between the recent upturn in unemployment and renewed pressure to maintain both efficient production and fair wages. The number of unemployed has risen from 8.9 per cent in the second quarter of 1990 to 8.5 per cent in the third quarter. (Earnings increase faster than settlements because of over-



time, bonuses, regrading and other sources of "drift". There are more complications. The amount of slack in terms of unused plant capacity may differ from that shown by the unemployment figures. Unfilled vacancies have let us down as an indicator. For they were actually falling in the last years of the boom while labour shortages were intensifying.

Superficial inspection of the chart leads to the very depressing conclusion that unemployment will have to return to its mid-80s level merely to stabilise the rate of inflation. Yet a doubt begins to creep in if we look more closely. For the remarkable feature of the recent boom is, not that earnings increases rose from 7½ to 10 per cent, but that they accelerated so little when unemployment fell by nearly a half and headline inflation nearly doubled. It is here that the changing nature of unemployment matters.

For the fall has been disproportionately in the long-term unemployed, who are not active in the labour market. The number out of work for more than a year dropped from a peak of more than 1.3m to a low point of 500,000. This takes one to Lord Young's famous, or

some would say infamous, measures to entice the long-term unemployed off the dole. They can be conceptually broken down into (a) controversial ways of increasing the pressure on the unemployed to take jobs, (b) other ways of getting them off the unemployment register and (c) beneficial measures of encouragement, training and job placement. Whether good or bad they have all reduced the NAIRU.

One must also remember the Prior and Tebbit reforms (however reluctant in the former case) to reduce union power, and the exemplary effects of the defeat of the miners' strike and decreased government willingness to bail out lame duck and loss-making firms.

My guess would be that the NAIRU increased in the early to middle 1980s. It then fell for both genuine and cosmetic reasons, but it is still well above today's unemployment rate.

The lessons for financial policy are more straightforward. As the government does not know the level of unemployment or capacity utilisation that goes with sustainable non-inflationary growth, it is folly to try to achieve it directly. A related folly is to suppose that all recessions or economic

slowdowns can be brought to an early end. The best that governments can do - apart from nifty gritty supply side policies to improve the labour and other markets - is to base policy on what is called a "nominal framework" related to price stability or the growth of demand in money terms. They can try to achieve this directly. Or they can use the more indirect means of tying their currency to that of a non-inflationary country such as Germany. The UK's membership of the ERM involves both.

Either approach means that the government does not try to influence output or jobs directly, and employers and workers are left to learn the effects of inflationary pay settlements and the advantages of moderation. So far from being a hard-hearted policy, this merely means that governments avoid claiming powers over output and jobs which they do not have - except in the very short term and then very unreliably.

I realise that the approach taken in this article might seem too mechanistic. It ignores dynamic changes such as the much-discussed wave of investment by overseas companies which find Britain a profitable and convenient location for attacking the enlarged Community market, and whose number will be boosted by the prospect of stable exchange rates. Many of the newcomers are impressed not by the dearth of British labour in relation to past UK productivity, but its cheapness in relation to workers elsewhere and to potential future productivity.

Natural optimism tempts me to accept this picture. But not all good things go together. A

My guess would be that the 'NAIRU' has fallen but is still well above today's unemployment rate

renewed productivity miracle will not necessarily reduce the sustainable rate of unemployment. This must in the last resort depend on willingness to adapt the "going wage rate" to the state of labour markets, locally as well as nationally.

Above all I would ask fellow optimists not to count on these gains in advance. They will come as a bonus if policymakers concentrate on providing a stable nominal framework and do not make the current US mistake of assuming that governments can spend their way into never-ending prosperity without any dips.

BOOK REVIEW

How managers can make the sun rise in the west

Managing on the Edge
By Richard Tanner
Pascalle

Simon & Schuster \$21.95. To be published in the UK by Viking Penguin, price £16.99, on Nov 22.

A decade ago Richard Pascalle co-authored *The Art of Japanese Management*, which is still one of the most intelligent books on the subject. Now this Stanford professor has produced an equally perceptive examination of how western companies can - indeed, must - renew their organisations, cultures and ways of operating, if they are to survive in the unpredictable, fast-moving competitive environment of the 1990s.

Pascalle's analysis and prescription for "managing on the edge" are unusually subtle for such a readable business book. But this virtue is belied by the US publisher, which has slapped on the crude subtitle of "how the smartest companies use conflict to stay ahead".

Such a bald label could have been applied to the IBM or even the ITT of the 1970s - or today's Citicorp, which Pascalle sees as precariously dependent on extreme Darwinian competition among its managers.

What the book is actually about is how a few pioneering western companies, and Japanese paragons such as Honda, have become what Pascalle calls "engines of inquiry". They have dumped the traditional (and fundamental) western management precept that organisations succeed primarily through an ability to reduce diversity and ambiguity.

Instead, they have developed ways of continuous organisational learning and transformation, with consequent competitive success. They accomplish this, in almost Hegelian fashion, by stimulating a constant, shifting tension between opposites: in the decentralisation yet co-ordination of their organisations; in the degree of coherence versus dissonance between their strategies, structures, styles and rewards systems; in "hard" patterns and "soft" cultural systems; and in consensus versus contention.

This is not an original diagnosis: the best-selling business book of the 1980s, *In Search of Excellence*, signalled the need for much greater ambiguity and paradox in management. But most readers missed that message amid all the book's other gung-ho advice. In any case, its authors, Tom Peters

and Robert Waterman, seemed to be advocating a balance between opposites, something Pascalle sees as far too static; instead, he advocates "the orchestration of tension".

Peters and Waterman provide Pascalle's starting point in a less positive sense, too. Wondering why two-thirds of the "excellent" companies fell from their pedestal within five years, he says they lost their vitality through the "entrenched" nature of their very success. Some merely wobbled (such as Delta Airlines and Procter & Gamble), while others toppled headlong (Wang and Data General). Far too many shared the traditional mindset of industry leaders: that continued success would be assured by making only slight changes to a set of pretty constant strategies, structures, styles and skills.

Unlike Peters himself, who recanted recently that "there are no excellent companies", Pascalle finds excellence in two companies: in Honda's long-standing restlessness about what it does, and how; and in Ford's newfound readiness and ability (in the 1980s, anyway) to transform itself entirely, and then to start again.

Pascalle's 60 pages on the "inside story" of Ford's transformation, in which he was involved closely as a consultant, are fascinating. Highlights include: the company's repeated false starts; including the way its employee involvement programme almost died several deaths; the unusually quiet, "minimalist" team leadership style of the then chairman, Mr Don Petersen, which was immeasurably instrumental in breaking down Ford's traditional "turf wars" between different functional barons; and, above all for the complexities of both/and. Most Asians find that easy. Westerners do not - and suffer accordingly.

Whether this book will rival the success of *In Search of Excellence*, it deserves to be. It is just as powerful and readable, but its evident intellectual depth may deter some readers. So may the force of its message: that we should cease to think of things in either/or terms, and start to grapple with the complexities of both/and. Most Asians find that easy. Westerners do not - and suffer accordingly.

Attacking the imitative thought of most American top managements for more than 80 years, Pascalle concludes that corporate leaders need constantly to challenge their own assumptions, to raise the level and widen the breadth of their thinking.

Whether this book will rival the success of *In Search of Excellence*, it deserves to be. It is just as powerful and readable, but its evident intellectual depth may deter some readers. So may the force of its message: that we should cease to think of things in either/or terms, and start to grapple with the complexities of both/and. Most Asians find that easy. Westerners do not - and suffer accordingly.

Christopher Lorenz

LETTERS

Airline deregulation: lessons from the US

From Mr George Williams.

Sir, Even given a share of peak time slots, the likelihood of small independent carriers surviving to operate Europe's scheduled airline services is remote. As shown by the US experience, the ability of large incumbent carriers to contain the destructive elements of the competitive process, not only through the control of runway slots, is prodigious.

Conventional wisdom concerning the economics of operating an airline has altered fundamentally as a result of deregulation. The various production economies that can be derived from operating large integrated hub-and-spoke route networks, particularly those of scope, are only fully exhausted at very large levels of output.

The result in the US is an industry dominated and controlled by a handful of very large carriers. Given that the total European air transport market represents some 53 per cent of the US domestic market, it would not seem unreasonable to expect the existence of only three, or possibly four, consortia accounting for most intra-European traffic by the end of the decade.

The degree of competition then likely to exist between these European-based megacarriers may bear some resemblance to that which now exists in the US. As has been apparent there, the minimum number of operators required to produce a satisfactory competitive environment is not at all obvious. Much has depended on the aspirations of the individual participants and on the nature of their commercial relationships.

In certain city-pair markets the presence of just two carriers has resulted in sufficient pressure to maintain both efficient production and fares that do not generate near monopoly profits. However, in other duopolistic markets the benefits of greater productive efficiency have not been shared with consumers. A lack of understanding that free competition would be unlikely to prove mutually attractive rather than any covert attempt at collusive action probably provides the best explanation for such behaviour.

Times it may well be that the best prospect for competition where the UK consumer is concerned would be for a large US carrier to acquire one of the airlines currently based at Gatwick, together with all its take-off and landing slots.

George Williams, senior lecturer in economics, Middlesex Polytechnic, The Burroughs, NW4

Pay levels in manufacturing

From Mr Ian Thompson.

Sir, Austin Mitchell (Letters, October 9) says "wages in import-saving and export-producing industry... have gone up less than the rest of the economy". In every year since 1979, two thirds of all imports and exports are manufactured goods, that implies that manufacturing pay has fallen behind the rest of the economy. It has not.

Average earnings in manufacturing have actually risen

very slightly more since 1979 than those in the economy as a whole. In July 1990, the latest known period, manufacturing average earnings were 189 per cent above their 1979 level. For the whole economy, average earnings were some 182 per cent above their 1979 level.

Ian Thompson, economic adviser, Engineering Employers' Federation, Broadway House, Tufnell Street, SW1

ABP's performance

From Mr Mike Murray.

Sir, The table accompanying the article (A large Tory banana skin, October 9) gives Associated British Ports' share price as up following our 1986 scrip issue. But there was a further scrip issue in 1990, therefore the issue price

should be adjusted to 25p for the purposes of performance evaluation. Thus, ABP out-performs any of the privatised shares given in the table.

Mike Murray, publicity officer, Associated British Ports, 150 Holborn, EC1

Europe's rotten agricultural core

From Mr Edward Barrow.

Sir, It is clear that European agriculture is facing a crisis, brought about both by policies (east Germany, lamb wars and Gatt) and natural (drought) pressures ("Ministers snub Brussels plan," October 9).

The European Community must deal with this crisis securely and confidently if it is to prosper, and talk of further political and monetary union is perhaps too ambitious while the agricultural core is rotten. This is a gloomy prognosis, but the common agricultural policy lies at the heart of EC politics and expenditure.

French and German farmers are a powerful political force. Their present troubles are exacerbated by the fact that they have been co-opted and shielded from world markets by the generosity of Community taxpayers for many years.

It is wrong to compare their anger with the comfortable stoicism of English farmers as proof of perfidious French volatility. Their anger and anger is more akin to that of British workers in coal, steel and shipbuilding when faced with the withdrawal of government support in the early 1980s.

Major's lifeboat for Africa

From Mr Joshua Ahiakpa.

Sir, Your editorial comment ("Africa's gains and losses," and William Keeling's report "Boost for Nigeria's debt conversion strategy," October 4) reveals a ray of light at the end of a long dark tunnel for Nigeria at its 30th independence anniversary.

With external debt of \$24bn and 1990 budgeted earnings from oil of 26bn, extra income from all of \$3.6bn caused directly by the Gulf crisis is more than "a lifebelt".

Whether Nigeria will now seize this opportunity to face up to its responsibilities towards its people and sub-Saharan Africa and set right its appalling record of gross economic mismanagement and political instability is another question. Creditors and donors are not alone in being sceptical about the government's good intentions. The Nigerian people are also wary of their government's ineptitude and have yet to give the Babangida administration a clean bill of health.

There are, however, growing signs that the government has come to grips with the prob-

lem. President Babangida's two imposed political parties, the SDP and NRP, seem to defy all odds. For the first time in Nigeria's history there have been non-violent local government elections, fought freely and fairly along party, non-religious and non-tribal lines. Secondly the president's five-year-old structural adjustment programme, more ambitious than International Monetary Fund conditions, is beginning to show signs of transforming the economy, as Mr Keeling's report confirms.

Apart from putting its own house in order, it should be clear, however, that Nigeria's future will depend largely on the reaction of the Group of Seven governments to the British chancellor's debt relief proposals unveiled in Trinidad. A former banker in Nigeria, John Major has shown an amazing grasp of the debt problems facing developing countries. His proposals, if adopted, will be more than a lifebelt, they will be a lifeboat for Africa.

Joshua Ahiakpa, 3 Veronica Gardens, SW16

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Delors rebukes Strasbourg on Emu

By David Buchanan in Strasbourg

THE European Parliament was yesterday rebuked for harbouring unrealistic demands and expectations about its role in creating and running an Economic and Monetary Union (Emu).

The criticism came not from the parliament's usual opponent - the Council of Ministers - but from Mr Jacques Delors, the European Commission president, commenting on a report by Mr Bernard Herman, a Belgian Christian Democrat, which sought to lay out Strasbourg's version of the forthcoming Emu treaty.

The report, on which parliament votes today, calls for EC states to set up a monetary union by the end of 1995 - earlier than proposed by any government - and by majority vote.

Mr Delors invited MEPs to consider how "reticent member states might feel about being put in a minority and marching towards Emu without having the sovereign decision to enter it (Emu) put before their national parliaments."

Mr Delors also criticised the report for suggesting that the EC could decide to increase the overall ceiling of the community budget by majority vote and for trying to give the parliament an effective veto over

appointments to the board of the proposed Eurofed central bank. It was far better to increase the powers of all three EC institutions - the council, commission and parliament - said Mr Delors.

While seeking to restrain federalist hotheads in the parliament, the commission yesterday used the Herman report debate to chivy on laggards among the 12 member states.

Mr Herman, the commissioner responsible for macro-economic affairs, promised that Brussels would soon publish research showing that Emu would benefit, not harm, the poorer regions on the Community rim.

Even on existing plans, EC aid would by 1993 amount to 4 per cent of the gross domestic product of Ireland, Portugal and Greece, and Brussels proposed to accompany entry into Emu with a special financial safety net to help any country falling behind.

The very act of establishing a monetary union was a catalyst for economic convergence, Mr Christopher said.

Britain had shown its "tacit acceptance" of this argument, he claimed, by entering the exchange rate mechanism before its inflation rate had begun to drop to that of its



Jacques Delors: Strasbourg's demands 'unrealistic'

new ERM partners.

● A report demanding EC-wide measures to combat a rise in racism throughout Europe was approved by a bitterly divided European Parliament yesterday, PA reports.

Insults and accusations marked the passage of a 176-page, four-year study which

catalogued the unprecedented growth of extreme right-wing groups and, in Britain, the rise in the "racist and violent sub-culture of the skinheads".

The report, calling for a European residents' charter to protect the community's 14m immigrants, was approved by 188 votes to 146.

US business leaders say confidence is worst for 10 years

By Anthony Harris in Washington

US BUSINESS confidence fell to a 10-year low at the third quarter of 1990, according to a Conference Board survey of 1,000 chief executives, and more than half of them expect conditions to get worse.

Their pessimism is echoed on Wall Street, where most financial economists are forecasting a recession ranging from mild to severe. Only two months ago they expected no recession. These views were underlined yesterday by new official statistics showing growing consumer problems with credit card debt, and continued tight operating margins in the retail trade.

The Conference Board index of confidence fell 8 points to 40 (a reading of 50 is neutral). Consumer and business credit, and not the international situation, is the main cause of concern. The board, which produces widely followed business surveys in the US, said executives canvassed prior to Iraq's invasion of Kuwait had been as pessimistic as those who responded afterwards.

Nearly 70 per cent reported that economic conditions had worsened in the past six months; just under half expected further weakening in the current half year.

The consumer credit figures show an annual growth rate of 3.8 per cent for the three months to August, almost unchanged over the last year; but the total figures conceal a disturbing trend. Borrowing for car buying, an important source of growth, has been falling at an annual rate of 5 per cent in the past three months; but credit card borrowing has been rising at an annual rate of nearly 13 per cent.

Since retail sales have been sluggish, this shows growing delay in payments, suggesting a further rise in defaults, already at a high level.

The quarterly financial report on retailing - an advance estimate from the Census Bureau - shows a small recovery in operating margins to 3.6 per cent in the third quarter, up from 3.3 per cent in the second, but sharply down from normal levels.

UN strives to word resolution

Continued from Page 1
ian youths intended to provoke clashes during this week's Jewish festival of Tabernacles, the police reportedly chose to station only minimal forces around the sensitive Moslem and Jewish holy sites.

An editorial in the daily Ha'aretz said yesterday: "Direct responsibility lies with the man who heads the police force, Commissioner Ya'acov Turner. An assessment of the situation was not properly made, and even during the riots, the police did not act as the situation dictated."

At the UN, the US is proposing a draft that deplores Monday's violence in Jerusalem and "the excessive Israeli response". But Washington also is insisting that regret be expressed that "innocent worshippers were attacked".

Arab nations not only want tougher wording but a Security Council mission with a broad brief to visit the Israeli-occupied territories - a move which could lead to enforcement and recommendations for action against Israel.

This in turn could create direct linkage between Israel being asked to observe Resolution 242 passed in 1967, calling for its withdrawal from territory occupied during the Six Day War, and demands for Iraq's withdrawal from Kuwait.

The US wants a mission sent by Mr Javier Perez de Cuellar, UN secretary-general, with a limited brief to avoid being committed to linking the Arab-Israeli conflict with a resolution of the Gulf crisis.

Iraq, continuing to exploit the Jerusalem killings, yesterday accepted a PLO request for an urgent meeting of Arab foreign ministers.

The PLO hopes to use the meeting to bridge the gap between states favourable to Iraq and those sympathetic to Saudi Arabia and the US.

Farm demo disrupts Mitterrand ceremony

By Ian Davidson in Paris

ANGRY French farmers, demonstrating for more generous support from the government, yesterday disrupted President Francois Mitterrand's inauguration of the Airbus Industrie manufacturing facility outside Toulouse, south-west France.

This is the second time in two weeks that demonstrating farmers have interfered with the smooth functioning of Mr Mitterrand's public duties.

At the end of last month, the president was prevented from inaugurating the latest

south-west stretch of the high-speed TVG train.

Yesterday, 400 farmers burnt tyres and bales of straw and spread liquid manure on the road outside the airport of Toulouse-Margnac.

However, they failed to prevent President Mitterrand's aircraft from landing on the Airbus Industrie runway and he was able to inaugurate the consortium's manufacturing hangar.

The facility, designed for the manufacture of the two new large long-haul Airbus air-

craft, the twin-jet A330 and the four-jet A340, will give the consortium a manufacturing scale comparable to that of transatlantic competitors such as Boeing and McDonnell-Douglas.

The farmers' demonstration is the latest in a series of public protests since the early summer.

During clashes with police earlier yesterday, one demonstrator lost a hand when a teargas grenade he had picked up exploded.

French farmers have been

hit by drought for the third year in a row. Many have also been suffering from heavy debts.

In addition, beef and sheep farmers, particularly in the west and south-west, have been hit by a steep fall in market prices which they blame partly on imports from Britain and eastern Europe.

Yesterday, the local departmental farmers' federation condemned the violence of the demonstrators in the hope of securing concessions from the government by negotiation.

London's markets more settled

By Rachel Johnson in London

LONDON'S financial markets were more settled yesterday after fluctuating wildly since the government announced sterling was to join the European exchange rate mechanism.

Trading in sterling and government gilt-edged securities was hectic without triggering the sharp rises and falls which have characterised the first few days of Britain's full membership of the European Monetary System.

Sterling, gilts and equities closed near their opening levels, suggesting that the markets have found levels within the discipline of the ERM.

The Bank of England said it would investigate market rumours that last Friday's ERM announcement was leaked - causing banks to operate heavily in the futures and forward rate markets shortly before sterling closed and interest rates were cut - if requested to do so.

Sterling finished almost unchanged at DM3.0075, rising 0.1 to 96.2 on its trade-weighted index. Against a stronger dollar, sterling closed at \$1.9680 after a previous close of \$1.9705. It has not yet tested its upper or lower 6 per cent limits in the mechanism, shadowing DM3 since it joined the ERM with a central rate of DM2.95.

The equity market closed down 12.3 at 2,131.8 on the FT-SE 100 share index, after tracking oil prices closely all day.

Equities fell sharply on rumours of a US invasion of Kuwait which sent oil prices yesterday to 10-year highs, but rose again at rumours that Iraqi President Saddam Hussein had been assassinated.

● A three-point plan to improve Britain's environment, including the creation of a 150 square mile national forest, was announced yesterday by Mr Christopher Patten, the environment secretary.

The plan, to come into effect next year, will also involve an initiative to help Britain's farmers and landowners to protect areas of the countryside under pressure from visitors and provide extra government funds for the restoration of churches and cathedrals.



Mikhail Gorbachev seems to suggest to the visiting NYSE chief that stocks can fall

Communists back land vote

Continued from Page 1

● Legislation to provide unemployment benefit for Soviet citizens as the country moves towards a market economy was set to sail through parliament at first reading yesterday writes Leyla Boulton in Moscow.

The new law, which guarantees a job for all who want work, is the first piece of legis-

lation in decades to allow for unemployment.

The Soviet command economy has in theory provided full employment since the 1930s, thus there is no unemployment benefit at present.

But if radical market reforms go ahead, closing down unprofitable enterprises and tackling serious under-employment, the Soviet Union

expects up to 35m people - or one in five Soviet workers - to lose their jobs.

Under the present system, school-leavers are allocated jobs by the state, while it is virtually impossible for enterprises to sack workers.

Union - such as permanent lift-minders - are simply a waste of state funds.

UK to discuss radical plan for reform of accounting practice

By David Waller in London

A RADICAL agenda for the reform of financial reporting in the UK will be considered next week by the Accounting Standards Board, the body for setting accountancy standards.

The agenda, if put into effect, would change the way balance sheets are drawn up and require listed companies to publish profits forecasts.

It is the work of the Financial Reporting Action Group, a committee of four technical experts from the English and Scottish institutes of chartered accountants who were asked last year by the professional bodies to draw up an "action plan" for the reform of British accounting.

The group will present its findings to the Accounting Standards Board (ASB) on Monday next week. It will make five principal recommendations:

● Assets in the balance sheets should be included at their cur-

rent value, rather than on a mixture of historic cost and revaluation.

● Listed companies should publish a profits forecast.

● Corporate reports should contain a "statement of shareholder gains" that will show the increase in the value of the assets as well as any increase in profits.

● Companies should publish a cash flow statement instead of a statement of the source and application of funds.

● Accounting should always reflect the economic substance of business transactions and not their legal form.

The ASB, which took over from the Accounting Standards Committee at the beginning of August, is committed to the fundamental reform of corporate reporting in the UK but is unlikely to proceed with any or part of the package without a period of extensive consultation with industry.

Even so, the ideas are likely to be at the centre of the intensifying debate on how financial reporting can be improved. The UK will be keen to establish a portfolio of authoritative accounting standards at a time when the European Commission is taking a mounting interest in the accounting area.

The EC's new "Accounting Advisory Forum" is set to hold its first meeting next month. Objections from the corporate sector are likely to focus on the recommendations that assets should be carried at current prices, and that companies should produce profits forecasts.

The revaluation process is expensive, requiring a professional assessment of the value of fixed assets every year and increased depreciation charges would reduce reported profits.

Companies also regard information on their prospects as confidential.

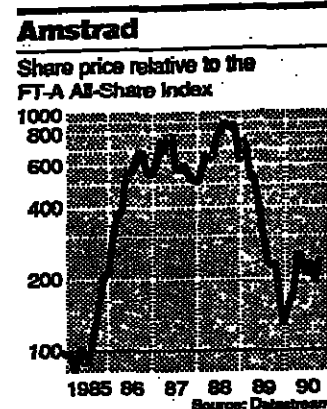
THE LEX COLUMN

Pricing the oil explorers

Since the start of the Gulf crisis, the UK oil and gas sector has outperformed the market by around 12 per cent. BP, the best of the big performers, has outperformed by half as much again. But the overall figure hides curious discrepancies. Many stocks within the sector are actually priced lower than they were before the invasion of Kuwait; others like Lasso are only marginally higher. Even BP is only 5 per cent up on its pre-invasion price, against a fall in the All-Share Index of 11 per cent.

The reason for this patchiness lies mainly with the exploration companies. These were performing well before the invasion and responded favourably in the first few days. Thereafter they stalled, noticeably lagging the broad sector. Given that the exploration companies should be the earliest beneficiaries of higher oil prices, with increased exploration, it is not surprising that they have come up with something else again.

In the 1980s the humble rating did not matter, since the share price was driven by profits growth. A repeat in the 1990s seems ruled out by a combination of demographics, competition and the company's increased bulk. With net cash on the balance sheet, there is no question of Amstrad going bust either. In share price terms, it sounds a dull recipe.



Source: Datastream

product, were down 22 per cent last year; sales of satellite dishes, which have come from nowhere to contribute perhaps the bulk of last year's profits, were almost tripled. In the fast-moving world of consumer electronics, Amstrad is shortly going to have to come up with something else again.

Once again, a member of the British financial establishment is talking about Deutsche Bank as an example of what a good bank should be, or of how a long-term shareholder should behave. Lord Alexander, chairman of NatWest, last night came up with the notion that in a deregulated price-competitive banking environment British banks can improve their profitability by holding equity stakes in some of their customers. Hence the allusion to Deutsche Bank, with its large stakes in Daimler-Benz et al.

Lord Alexander appreciates that British clearing banks are in no position to construct such equity relationships now with large UK companies. He is talking rather about the clearer building up participations in start-up operations. But there is something curious about the way the German model keeps surfacing in this kind of context. Not that Deutsche Bank is anything other than a well-run business. But the historical background is so different, and the German and British financial systems so

allen, that it is hard to see any useful purpose in the comparison.

The fact is that the German grasshopper have a more central role in German industry because they always did. Deutsche and Dresdner both came into being in the 1870s, when the likes of Siemens and BASF were getting into their stride, and the bankers and businessmen have stuck close to each other ever since. If UK bankers are to become bigger in the venture capital business, all well and good; but it is not the same thing.

Markets

The London equity market has reverted to being a straight reflection of the oil price as perceived through the eyes of Wall Street. The FT-SE's low point yesterday - a whisker above 2,100 - came as the oil price went up a dollar for the fifth trading day in a row. It duly recovered on oil's subsequent reversal, the latter being apparently based on nothing more substantial than US denials of having either counter-attacked Kuwait or threatened President Hussein. The result is a market which defies rational analysis. A week or two ago, it was possible to argue that wherever the market was heading, certain stocks were fundamentally cheap. With ERM entry - as the oscillation of the bank stocks has shown, for example - even those basic calculations need reworking.

Telephones
Li Ka Shing evidently deserves his shrewd reputation. In the three months since Smith New Court placed his 3.9 per cent stake in Cable & Wireless with London institutions, the company's shares have fallen 100p and underperformed the FT-A All Share by 15 per cent. It may be a shade simplistic, though, for the market to interpret yesterday's British Telecom tariff cuts as favouring BT's shares over C&W's. Granted, C&W is not looking quite as attractive as it was in view of sterling's strength, the threat of price control on international calls and the relative weakness of the Hong Kong economy. But BT has just as many regulatory and strategic hurdles to cross as has C&W, and in reality the UK's telephone war is only just getting started. It is too early for the market to declare BT the victor.

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WORLDWIDE WEATHER

Place	Temp	Wind	Cloud	Place	Temp	Wind	Cloud	Place	Temp	Wind	Cloud	Place	Temp	Wind	Cloud
Aberdeen	10	12	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Aberystwyth	10	12	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Aldershot	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Belfast	10	12	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Birmingham	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Bristol	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Burnley	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Cardiff	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Canterbury	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Exeter	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Gloucester	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Harrogate	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Leamington	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Leeds	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Leicester	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Liverpool	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Luton	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Manchester	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Marlow	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Met Office	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Newcastle	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Newport	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Nottingham	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Oxford	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Perth	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Peterborough	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Reading	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Sheffield	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Southampton	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Stirling	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10
Stroud	12	15	10	Cardiff	12	15	10	London	12	15	10	Madrid	15	18	10</

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Thursday October 11 1990

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INSIDE

Lenders balk in Manpower deal

Trouble for Manpower, the US based employment agency group, as the planned sale of five UK employment agency chains hits a last minute hitch. The deal was expected to be completed by tomorrow, but bank lenders to Brook Opportunities, the buy-out vehicle, appear to be dissatisfied with the assets they are being offered for the loans. Maggie Urry reports. Page 26

Austin Reed plunges 56%

Britain's entry into the exchange rate mechanism is good news, according to Barry Reed, chairman of Austin Reed (left), the upmarket clothing retailer and manufacturer, but not good enough to dispel the bad. Austin Reed announced a 56 per cent fall in interim pre-tax profits from £2.05m (\$4m) to £905,000 as it struggled in the face of tough retailing conditions. John Thornhill reports. Page 26

Bumper pressure on profits

Wheat farmers in Canada are under pressure from depressed prices caused by bumper crops around the world. This year, despite hauling in their second largest harvest ever, Canadian farmers will receive about 25 per cent less than they did for a crop of similar size and quality in 1981. Further south, Uruguay's beef exporters are also under pressure following Brazil's decision to buy 80,000 tonnes of surplus beef from the European Community. Page 26

Fashion for national funds winks

Investors are prone to manias during bull markets. Tulip fever, for example, swept seventeenth century Holland, while the Florida land bubble buoyed the hopes of many a twelfth century dabbler. The latest mini-mania which has flared up — and died down — is the fashion for single country funds, especially in the emerging markets of the Far East, but also in Europe and Latin America. Steven Bates reports. Back Page

Keeping up with the times

Advances in computers are always forcing changes in the way they are sold, as borne out by the recent problems at Philips' Information Systems Division. Philips' troubles stem from adherence to equipment which cost too much to build and sell and which was going rapidly out of fashion. This week it announced a far-reaching restructuring of its computer operations including a move to "open system" standards and job cuts totalling 4,900. Alan Cane reports. Page 20

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Chief price changes yesterday

FRANCE (CDS)			
Paris	740	+ 10	
Paris	332	- 10	
Paris	185	- 10	
Paris	600	- 10	
Paris	473	- 12	
Paris	385.5	- 10.1	
Paris	105.4	+ 7	
Paris	45.7	+ 4	
Paris	151.4	- 14	

LONDON (Pence)			
Barlows	140	+ 57	
Barlows	553	+ 25	
Barlows	480	+ 9	
Barlows	529	+ 2	
Barlows	704	+ 2	
Barlows	353	+ 2	
Barlows	557	+ 15	
Barlows	380	- 9	
Barlows	381	- 14	
Barlows	410	- 10	

Air Canada to shed 13% of staff

By Bernard Simon in Toronto

AIR CANADA, the Canadian airline, has responded to a worsening business climate and growing pressures from airline deregulation with a sweeping restructuring package which includes a 13 per cent cut in its workforce, a realignment of some international routes, and the sale of its Montreal head office.

Although the measures are designed in the short-term to cope with a cyclical downturn in traffic, the airline's chairman Mr Claude Taylor said yesterday that they were also part of a fundamental restructuring of the Canadian airline industry which may in the long run leave room

for only one major international carrier.

"The current environment has simply caused us to make these decisions a little earlier than we might have," Mr Taylor said.

The airline estimates that the restructuring will reduce 1991 capital requirements by C\$700m (US\$495m) and add C\$52m to operating income. It expects at best to break even this year, and will post a loss in 1991 if fuel prices remain at present levels.

Despite a 6 per cent rise in revenue, Air Canada's net income fell to C\$19m in the second quarter of 1990, from C\$32m a year earlier.

Under the austerity plan, the airline will eliminate 2,900 jobs, including 250 pilots and 450 flight attendants. Three Boeing 747-400s due for delivery next year and one DC-8 freighter will be sold. The head office will move from downtown Montreal to an enlarged technical centre near the city's airport.

Air Canada is also abandoning its route from Toronto to Bombay and Singapore via London, after encountering increasingly stiff competition from British Airways and Far East carriers.

Passengers embarking in London accounted for about three-quarters of Air Canada's loads on

this route. But with service on only three days a week and without the aircraft to fly non-stop to Singapore, Air Canada was increasingly forced to take the discount-fare overflow from other carriers.

Mr Taylor said that the airline would in future seek to service the Far East across the Pacific, where routes are currently reserved for Air Canada's main domestic competitor, Canadian Airlines International (CAI). Air Canada is especially keen to gain entry to Japan, and is maintaining its orders for Boeing 747-400s due for delivery in 1993 and 1994.

Canadian Airlines is also in the throes of a sweeping review of its domestic operations, which is likely to result in a contraction of its fleet.

American Airlines has issued lay-off notices to 40 workers and plans to eliminate 1,000 jobs as part of a cost-cutting plan. It employs 90,400 staff. Meanwhile, America West cautioned yesterday that it expected "a major change from previous projections for net profits" during the second half of 1990 because of fuel price increases, although it declined to specify numbers. Pan Am and TWA have already announced significant staffing cuts. Background, Page 22

Amstrad falls 43% but holds dividend at 1.4p

By Michael Skapinker in London

AMSTRAD, the computer and consumer electronics group, yesterday announced a 43 per cent drop in pre-tax profits from £76.6m (£150.9m) to £43.7m for the year ended June 30 1990. Turnover was down 7.8 per cent from £226.3m to £217.7m.

The proposed final dividend is 1p, maintaining the total payment at 1.4p.

Three extraordinary items helped to pull retained profits down from £43.1m to £2.3m. The

extraordinary items included a £17.4m charge to account for the fall in the market value of Amstrad's 9 per cent stake in Micron Technology, the US semiconductor company. Amstrad purchased the stake in 1988 for £45m. There was an additional extraordinary charge of £10m to pay for the closure of factories in Hong Kong and Essex. These were offset by an extraordinary gain of £3.3m from the sale of property in Spain.

Inventory, which reached £335m in September 1989, has fallen to £188m. Bank borrowings, which peaked at £114m in September last year, have been transformed into a positive net cash balance of £24m.

Sales of satellite receivers and dishes rose to £107.3m from £83.1m. Turnover of audio products was £25.1m and the company is withdrawing from the market. Sales of all other products fell. Lex, Page 18

'Dressed up, cleaned up, ready to go'

Michael Skapinker talks to Alan Sugar

Mr Alan Sugar yesterday said farewell to the worst two years in the history of Amstrad, the UK computer and consumer electronics company which he founded and chairs. The group is now in good shape to face the future, he insists. All that can stop it are the states of the UK and European economies.

Yesterday, Mr Sugar announced that pre-tax profits for 1989/90 had fallen by almost half to £43.7m. In 1988/89, profits fell by more than half to £76.6m.

Over the past year, however, he has made it clear that falling profits are an acceptable price to pay for the reduction of Amstrad's debt and the elimination of its debt. Mr Sugar has no doubt about what lesson to draw from the demise of other high-flying entrepreneurs who became household names in the 1980s. The high cost of borrowing many of them into reality, he said, and Amstrad was determined to avoid such a fate. A positive cash balance of £24m leaves him breathing more easily.

Mr Sugar is the first to admit that Amstrad's problems were due to bad management. Over the past year, he has brought in new senior management, sacked the head of his Spanish subsidiary, and introduced new quality and financial controls. Nevertheless, this most unreflective of businessmen is stumped when asked to sum up the lessons of the past two years. "It's a very good question," he says. "I've got to sit down some time and think about how to answer it."

One lesson he says he has learned is in the setting up of foreign subsidiaries. He is vetting foreign managers much more carefully after his unhappy experience in Spain, where costs ran ahead of sales.

Amstrad has changed the location of its manufacturing over the past year. Mr Sugar built up Amstrad's business by having his products made cheaply in the Far East. He has now increased the proportion of products manufactured in the UK. Although Amstrad does not have its own factories, its goods are built under contract by other UK companies such as the General Electric Company and STC. Mr Sugar, once a fierce critic of British manufacturing standards, says he is satisfied with the work being done by his UK subcontractors.

Something which has not changed is Amstrad's opportunism. Although he has brought out several new computers in the past few months, Mr Sugar says he is anxious that Amstrad should not be seen as a computer company. The only real increase in sales last year came from satellite television equipment. Mr Sugar says that Germany and Holland together are now a bigger satellite market for him than the UK. With a second Astra satellite due for launch next year, sales can only improve, he says.

Although the UK consumer market has picked up in recent months, economic uncertainty makes Mr Sugar slightly cautious about next year. "We're all dressed up, cleaned up and ready to go. It's only things outside our control that can hold us back."

NYSE agrees to help train Soviet experts on setting up exchange

By Leyla Boulton in Moscow

THE NEW YORK STOCK EXCHANGE (NYSE) is to help the Soviet Union train the experts it needs to set up a stock exchange under a co-operation accord finalised in Moscow yesterday.

Mr Valentin Pavlov, the Soviet finance minister, said after signing the agreement with Mr John Phelan, the NYSE chairman, that Moscow had also contacted the London and Frankfurt stock exchanges.

"We welcome any help," he said. "The NYSE's agreement with the finance ministry and Gosbank, the state bank, provides for the exchange of experts for research and training, but sets no detailed plans."

Mr Phelan, who had a 40-minute meeting with President Mik-

hal Gorbachev, added that the NYSE would be happy to provide the Soviet Union with stock market technology when Moscow was clearer on what it needed.

The NYSE chairman, who helped the Chinese develop stock markets, said, however, that there was no need, in the initial stages, for extremely sophisticated technology.

"If you're going to build a stock exchange, you don't have to build it as if you were going to Mars," he said, speaking after a three-day Moscow seminar co-sponsored by the NYSE to explain the workings of financial markets.

Mr Pavlov said it was too early to set when a stock market would emerge in the Soviet Union.

But he said that much would depend on having a sufficient number of companies ready for listing.

Asked how many Soviet companies were ready to issue shares to outside investors, Mr Pavlov went through a long list of obstacles which were blocking the emergence of joint-stock companies.

He said difficulties included a lack of interest among workers in buying shares in their own companies.

But he predicted a mushrooming of share-issuing in the first half of next year, once a proper plan for a market economy had been decided on and a union treaty fixing relations between Moscow and the republics had been agreed.

Nadir flies to Turkey to sell assets

By David Barchard in Ankara and Richard Waters and Stephen Fidler in London

MR ASIL Nadir left London for Turkey last night in an eleven-hour bid to keep Polly Peck International afloat by selling off part of its operations in Turkey and Northern Cyprus.

The disposal of Polly Peck's fruit, electronics and leisure businesses in the region is understood to have been considered as a way of appeasing the group's bankers. The banks meet in London tomorrow to decide whether to allow the group more time to settle liquidity problems.

"According to one banker close to the negotiations, Mr Nadir has indicated only that he will sell his leisure interests at this stage."

His five hotels in the area, including the luxury Sheraton Voyager Hotel in the Turkish resort of Antalya, are estimated by analysts to be worth £165m (£225m) in an emergency sale.

Mr Nadir is under pressure to present his bank creditors with some tangible sign of his ability

to raise cash when they meet tomorrow. They indicated last week that they were unwilling to roll over £200m of debts that fall due in the last three months of this year unless Polly Peck can come up with some way out of its financial difficulties. The company estimates that it needs a further £200m of new money to stem its projected outflow of cash in the next three months.

A sale of interests in Turkey and Northern Cyprus would provide only part of the answer to Polly Peck's problems. It would still have to find a way of remitting any proceeds to the UK. Foreign exchange problems have stopped it sending £70m of the £143m cash it says it holds in Northern Cyprus.

Although senior ministers have ruled out the possibility of a Turkish rescue of Polly Peck, government help would still be needed to overcome the foreign exchange problem.

In Ankara, there was speculation that Mr Nadir may still be considering a deal in which some of Polly Peck's Turkish operations would pass into the control of a state agency before the sale.

"There has to be some measure of state involvement in this operation, but the government wants it to be as discreet as possible, and so it is remaining tight-lipped," one source close to the company said.

Estimates of the value of Polly Peck's operations in Turkey and Northern Cyprus are sketchy, but suggest that the company could hope to raise several hundred million pounds from its disposals.

According to Polly Peck's last annual report, the Near and Middle East — almost entirely its Turkish and Northern Cypriot operations — contributed £107.7m of the group's £161.4m pre-tax profits last year.

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INTERNATIONAL COMPANIES AND FINANCE

Tobacco roads take different routes

Joyce Quek on prospects for the industry in Malaysia and Singapore

The tobacco industries of Malaysia and Singapore have diverged widely in the past decade.

Where the M\$1.7bn (US\$640m) Malaysian tobacco industry is ever hopeful of better prospects, its Singaporean counterpart appears to be coming to the end of the road.

After years of strong anti-smoking campaigns launched by the determined government in Singapore headed by Lee Kuan Yew, the tobacco companies are warning shareholders of a declining domestic market. The 500 to 700 tobacco farmers of a decade ago have been reduced to a handful, and the army of smokers has been whittled down to a third of its original number.

Singapore has outlawed all cigarette advertising and banned smoking in public places such as cinemas, restaurants and bowling alleys. However, there is still a diehard band of smokers - as attested by the \$440m (US\$229m) tobacco sales - means they still make the second-largest contribution to state duties.

Although profits and turnover rose for Singapore-based listed companies British-American Tobacco Company (BAT) and Rothmans Industries Ltd. (RIL), that growth came mostly from export and duty-free sales.

BAT reported that "as expected, market share in Singapore stagnated following the imposition of a complete advertising and communication ban. An increase in selling prices was insufficient to compensate for a declining total market and, in consequence, domestic turnover was marginally down."

BAT earned a profit by selling properties. "We have investigated a number of options on how best to utilise our surplus. However, we failed to identify any business opportunity which satisfied our criteria for return on investment."

"Rather than continue to simply earn interest on the

amount, we think it better to return these funds to our shareholders," said Mr Ian Ross, BAT Singapore's chairman.

The group's turnover gained 24.5 per cent to S\$113.6m at the halfway stage. In June, and operating profits rose 19 per cent to S\$16.7m. Investment income leapt to S\$4.2m from S\$1.2m, lifting after-tax profits to S\$15.7m from S\$10.7m.

The Malaysian authorities have an avowed, if somewhat schizophrenic, policy of encouraging the tobacco industry's growth while discouraging civil servants from smoking

During the first half BAT sold its last residential property which was revealed to market value to create a capital reserve of S\$3.7m. From fixed assets sales over the years, the resulting cash resources were in excess of operational requirements, so S\$119.7m will be returned to shareholders in a capital distribution in which every 1,000 shares will reap S\$1,330.

RIL's half-time results to June saw group turnover rise to S\$105.4m from S\$85.4m and pre-tax profits leap 38 per cent to S\$33.1m. The company proposed a maintained 11.5 per cent interim dividend with a special 19 cent a share payout, thanks to a S\$15m extraordinary gain on the sale of a minority shareholding.

However, the improved result does not hide the fact that RIL owed much to greater contributions from higher exports and duty-free sales.

Domestic sales continued to decline in line with a slowly shrinking local market, although margins overall were better due to improved and better-used production facilities brought about by increase in export and duty-free trade.

RIL said the difficult trading conditions for the Singapore tobacco industry were likely to continue in the light of the restrictions on smoking in public places and the advertising and promotions ban. BAT added gloomily: "Significant political and economic uncertainties in some major export markets are likely to affect performance in the second half-year and it is unlikely that the

present rate of growth will be maintained."

The Malaysian authorities, on the other hand, have an avowed, if somewhat schizophrenic, policy of encouraging the tobacco industry's growth while discouraging civil servants from smoking.

The Malaysian tobacco industry plays an important role in improving living standards in the rural areas, providing jobs for almost 400,000.

Fishermen and padi farmers have recently moved into growing tobacco, lured by earnings three times higher than theirs. The industry is helped by the government's requirement that the local tobacco content in Malaysian cigarettes must be 70 per cent, rising to 85 per cent by the year 2000.

Analysts are happier about the prospects of Rothmans in Malaysia than they are about its Singapore namesake. Merrill Lynch's Singapore-based analyst, Ms Hafidzah Hassan, revised her forecast of the Malaysian group's earnings per share after its healthy half-time performance.

For the half-year to Decem-

ber 1989, Rothmans' group turnover in Malaysia rose from M\$360.3m to M\$432.6m, and pre-tax profits leapt 68 per cent to M\$117.5m, both above expectations.

Morgan Grenfell Asia Securities has upgraded Rothmans' net earnings per share forecast from between 38 and 43 cents to 50 cents for 1990 while Ms Hassan revised her figures from 37.7 cents to 49.3 cents, and to 60.4 cents for 1991.

Her reasons are that Rothmans - which has a 55 per cent market share with its Dunhill and Perillys brands compared with the listed Malaysian Tobacco Company's 34 per cent from the Benson & Hedges and Lucky Strike brands - is the major beneficiary of strong consumer spending.

Tobacco manufacturers have shown improvement in margins as expected, given the trend towards premium cigarettes which started in 1988 after the downturn during the recession stopped.

Premium-brand cigarettes have a 70 per cent market share in Malaysia against 50 to 55 per cent at the end of 1988. Margins improved because of a 3.5 per cent volume increase in 1989, riding on an 8.2 per cent economic growth and 13.5 per cent rise in private expenditure.

"With expected GDP growth of 7 to 8 per cent and still strong growth in private consumption of 7 to 8.5 per cent over the next two years, cigarette sales should continue to record average long-term growth of 3 per cent. As manufacturers achieve higher volume, economies of scale lead to higher margins, on top of increased revenue," she said.

Although Malaysia will probably follow the anti-smoking trend, the tobacco industry will essentially remain protected, given that the domestic market is finite and exports are uncompetitive, as farmers' prices are too high.

Hopewell jumps 21 per cent to HK\$626m after tax

HOPEWELL Holdings, the Hong Kong property and construction group which is involved in plans to build cross-harbour suspension bridges and viaducts in the colony, yesterday announced a 21 per cent jump in after-tax profits to HK\$626m (US\$81m) for the year to June 30 from HK\$517m previously, agencies report from Hong Kong.

This result solidly outstrips most analysts' estimates, which ranged from a low of HK\$420m to a high of HK\$600m.

The group, controlled by Mr Gordon Wu, the high-profile entrepreneur, said earnings per share climbed 20 per cent to 42 cents from 35 cents a year earlier, while turnover dipped 2 per cent to

HK\$1,070m from HK\$1,090m. A final dividend of 13 cents a share is proposed, pushing up the full-year payout to 24 cents, up from 22 cents the previous year.

The group attributed its strength mainly to rental income from investment properties. It added that its rent roll should continue to rise because

of the completion of major investment projects during the year.

Looking ahead, the directors said that the group's main infrastructure projects in the colony and the Republic of China were progressing well, which would help diversify its business and reduce its dependence on property operations.

Austrian oil group plans expansion into Hungary

By Judy Dempsey in Vienna

OEMV, Austria's largest oil and chemical group, intends to expand its business in neighbouring Hungary and in the Yugoslav republic of Slovenia by opening retail outlets for its petroleum products.

At the same time, the group announced half-yearly results which showed a balance sheet total of Sch62.4bn (S\$8bn), an increase of Sch16bn over the same period last year.

This was largely due to OEMV's acquisitions of the Austrian-based Chemie group, as well as the purchase of crude oil and natural gas fields in the North Sea and Canada.

The decision to enter eastern Europe, which is expected to take place this year, is part of OEMV's diversification and expansion in spite of the Gulf crisis and the increase in petrol prices for the Austrian consumer.

The Gulf crisis has already pushed up petrol prices from Sch9.30 a litre in early August to Sch10.40 by the end of September.

But so far, OEMV appears to be in a strong, if not enviable, position in terms of its weak dependence on oil from the Middle East.

OEMV, whose share in the total production of crude oil in

Austria is 84 per cent, has tended to concentrate on diversifying its imports.

In 1989, it imported less than 90,000 tons of crude oil from Kuwait and none from Iraq or Saudi Arabia. This year it had imported only 1,000 tons from Iraq.

Instead, the bulk of its oil imports were bought from Algeria (1.2m tons), the Soviet Union (497m tons), Libya, where it has a 100 per cent share in an oil field (880,000 tons) and Iran (873,000 tons).

Total imports for 1989 amounted to 5.9m tons while total domestic production for the same period amounted to 950,320 tons. Domestic consumption of petroleum products totals 8.9m tons.

Imports are likely to decrease following OEMV's purchase this year of two fields in the British North Sea.

With its oil fields in Canada, the share of OEMV's own oil production has risen from 20 per cent to 30 per cent to 351,000 tons.

Over the first six months of this year, crude oil production amounted to 501,000, a rise of 5 per cent over the same period last year.

The goal is to increase production by 50 per cent over the next few years.

INTERNATIONAL OIL INDUSTRY

The Financial Times proposes to publish this survey on:
9th November 1990

For a full editorial synopsis and advertisement details, please contact:

Jan Ely-Corbett
on 071 873 3389

or write to him at:
Number One
Southway, Bridge
London
SE1 9EL

FINANCIAL TIMES

MEDIOBANCA

BANCA DI CREDITO FINANZIARIO S.P.A.

HEAD OFFICE, MILAN, ITALY

PAID-UP SHARE CAPITAL: LIT. 3,000,000,000; RESERVES: LIT. 1,312,500,000,000

Notice of Ordinary General Meeting

Notice is hereby given that an Ordinary General Meeting of Mediobanca will be held at the Company's Head Office in Via Filodrammatici 10, Milan, Italy, at 10.00 a.m. on 27th October 1990 in the first instance, and any adjournment thereto at the same time and place on 29th October 1990, to transact the following business:

- 1) The Accounts for the year ended 30th June 1990, the Directors' and Statutory Auditors' Reports and resolutions thereon.
- 2) Election of Directors.

Under Article 8 of Mediobanca's Articles of Association, shareholders who have at least five days prior to 27th October 1990 lodged their shares at the Company's Head Office or at any Branch Office of Banca Commerciale Italiana, Credito Italiano or Banco di Roma or at Monte Titoli (in the case of shares managed by it) shall be entitled to attend the meeting on presentation of an admission ticket.

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COMPANY NEWS IN BRIEF

Goodman Fielder Watlie (Asia) is to exercise an option to acquire 62.18m ordinary shares in Cold Storage Holdings, the Singapore supermarket and property group, Reuter reports from Singapore.

Goodman owns 16.24m Cold Storage shares. The purchase will give it a total of 78.41m, or 63.06 per cent of Cold Storage. Goodman is also making an unconditional cash offer for the remaining 45.94m Cold Storage shares at S\$1.66 each.

South China Morning Post (Holdings), which was listed on the Hong Kong Stock Exchange in June, yesterday unveiled a 3 per cent fall in profits for the year to June 30. AP-DJ reports from Hong Kong.

The Hong Kong newspaper group, which remains 51 per cent-controlled by Mr Rupert Murdoch's News Corporation, said after-tax profit fell to HK\$274m (\$38m) from

HK\$282m, while per-share earnings also declined 3 per cent to 18.26 cents from 18.80 cents.

Sand Investment Bank (SIB), in which Chase Manhattan holds 30 per cent, said its net profit for the first nine months of 1990 fell to S\$19.7m (\$5m), from S\$25.5m a year earlier, Reuter reports from Danman.

The figure was after unchanged provisions for bad and doubtful debts of S\$30m. Net income before provisions was S\$49.7m compared with S\$55.5m.

Wing On (Holdings), the Hong Kong department store, insurance and property group, yesterday posted a 63 per cent rise in after-tax profits to HK\$145m (\$19m) from HK\$89m, helped by higher income from rental properties. AP-DJ reports from Hong Kong.

Per-share earnings rose 45 per cent to 62.7 cents.

REPUBLIC OF VENEZUELA



CENTRAL COORDINATION AND PLANNING OFFICE OF THE PRESIDENCY OF THE REPUBLIC OF VENEZUELA

PRIMARY ALUMINUM REDUCTION PLANT PROJECTS PROGRAM FOR THE CONVERSION OF PUBLIC FOREIGN DEBT TO FINANCE MEGAPROJECT INVESTMENT

All companies interested in proposing primary aluminum plant investment projects within Venezuela are hereby informed that the Republic of Venezuela, by virtue of the foreign public debt-for-equity conversion mechanism provided for in Decree 993 of June 29, 1990 published in the Republic of Venezuela's Gaceta Oficial N° 34.514 dated July 20 and Ministry of Finance Resolution N° 381, requests potential investors to submit within the 30 days following the publication of this announcement, written statements of their interest in installing a plant. Parties that so express their interest within this period must submit detailed proposals and supporting documents by December 15, 1990. The Venezuelan State commits itself to provide support for selected projects, facilitating their construction and operation and guaranteeing an adequate supply of the basic inputs, particularly of hydroelectric power and alumina. The Venezuelan State will also facilitate land preparation and other logistical inputs required for the plant's construction.

The proposals must be accompanied by the following information and supporting documents:

1. For foreign firms, the interested party's articles of incorporation and by-laws, duly legalized before the Venezuelan Consulate in the country of origin and translated into Spanish by a public interpreter. For domestic firms, the articles of incorporation and by-laws filed with the Venezuelan Mercantile Registry. If an individual, identifying documents.
2. For new companies the proposed articles of incorporation and by-laws.
3. Audited financial statements for the most recent fiscal year.

4. An investment proposal which includes:
 - a) The investment and financing plan, a cash flow projection and projected financial statements covering a minimum of five (5) years. Also, specifics regarding the net amount to be converted and the investment plan's underlying premises.
 - b) Description and amount of the project's domestic component.
 - c) Description and amount of the project's imported component and financing sources.
 - d) Conversion disbursement time table (bolivars).
 - e) Written evidence of the availability of adequate technology for the project's execution, including confirmation by a qualified supplier of the necessary technology that he is willing to provide that technology should the project qualify. The statement should cover the following aspects:

Technological know-how
Production license
Assistance in contracting, installation and start-up
Human resources training
Operational assistance
Maintenance and technological improvements

- f) Written evidence that financing for the project is available including an irrevocable commitment by the interested party to put up common stock equity for an amount equivalent to a minimum of 25% of the total investment, specifying the manner and dates these capital contributions will be received, and a letter of intent from a bank or a consortium of domestic or foreign financial institution demonstrating a willingness to finance the project, including a sufficient margin to cover cost increases. Where all of the requirements have been complied with, more favorable consideration will be given to those projects with greatest amount of self-financing.
5. A business plan specifying the firm's strategic posture with special emphasis on those aspects relating to marketing and selling the product abroad.
6. Where the conversion would be applied to expanding a presently existing firm, its most recent tax return and financial statements for each of the two (2) preceding years, duly certified by a public accountant registered with Venezuela's National Auditors Guild.
7. A commitment that the project will comply with international environmental standards.
8. The interested party should post a U.S. dollar bond issued by one or more first class domestic or foreign financial institutions in favor of and subject to the approval of the Venezuelan Central Bank for the equivalent of 5% of the project's total cost.
9. No debt conversions will become effective unless the receiving company's subscribed capital equals or exceeds the minimum specified in the proposal, with at least 20% paid-in.
10. Special consideration will be given to those firms that are willing to sell, through the Venezuelan stock market, at least 5% of their common stocks to small investors in the amounts and conditions that assure broadest possible distribution of these shares among domestic investors, in compliance with the National Securities Commission's financial requirements.

Interested parties should file preliminary letter of intent within thirty days of this announcement's publication. The proposals, including all of the required forms and documents should be presented before December 15, 1990. The Republic of Venezuela will make its decision by not later than January 31, 1991. All the documents should be presented to the Central Coordination and Planning Office of the Presidency of Venezuela (CORDIPLAN), Parque Central, Torre Oeste, Piso 26, Caracas Venezuela. Atencion Direccion General Fax N° (582) 573.6419. Telex Nos. 21.202 and 21.331. Telephones (582) 507.79.44

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Notice is hereby given that the Rate of Interest has been fixed at 8.575% and that the interest payable on the relevant Interest Payment Date January 11, 1991 in respect of \$5,000,000 nominal of the Notes will be \$107.01 and in respect of \$100,000,000 nominal of the Notes will be \$2,140.28.

October 11, 1990, London
By: Citibank, N.A. (Citi Dept.), Agent Bank

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October 11, 1990, London
By: Citibank, N.A. (Citi Dept.), Agent Bank

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11th April 1991
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INTERNATIONAL OIL INDUSTRY

The Financial Times proposes to publish this survey on:

9th November 1990

For a full editorial synopsis and advertisement details, please contact

Ian Ely -Corbett
on 071 873 3389

or write to him at:

Number One
Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

NatWest Mortgage Rate

With effect from 11th October 1990 for new borrowers, and from 1st November for existing borrowers, the NatWest Mortgage Rate payable under current Mortgage Deeds and Conditions of Offer will be reduced from 15.4% to 14.5%. This change will be reflected in existing borrowers' repayments from 1st November 1990.

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NOTICE OF REDEMPTION

To Holders of

U.S. \$250,000,000 General Motors Acceptance Corporation
10.25% Notes due November 15, 1992

Notice is hereby given that pursuant to Paragraph 5 of the Notes and Paragraph 6(b) of the Fiscal and Paying Agency Agreement dated as of November 15, 1985, between General Motors Acceptance Corporation (the "Company") and Chemical Bank, Fiscal and Principal Paying Agent, the Company hereby gives notice of its election to redeem all of its 10.25% Notes due November 15, 1992. The date fixed for redemption shall be November 15, 1990, and the Notes will be redeemed at the price of 100.5% of the principal amount thereof together with accrued interest to the date fixed for redemption. After November 15, 1990, the Notes will cease to accrue interest. The Notes will be redeemed upon presentation and surrender together with all appurtenant coupons, if any, maturing on and after the date fixed for redemption at the principal office of the Fiscal Agent, Chemical Bank, 180 Strand in London or at the principal offices of Chemical Bank in Frankfurt, Banque Bruxelles Lambert S.A. in Brussels, Banque Generale du Luxembourg S.A. in Luxembourg, Bank of Montreal in Toronto and Union Bank of Switzerland in Zurich.

General Motors Acceptance Corporation

Dated October 11, 1990

U.S. \$200,000,000



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By: The Chase Manhattan Bank, N.A.
London, Agent Bank

October 11, 1990



U.S. \$100,000,000



Takugin International (Asia) Limited
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The Hokkaido Takushoku Bank, Limited
(Incorporated in Japan)

In accordance with the provisions of the Notes, notice is hereby given, that for the six months interest period from October 11, 1990 to April 11, 1991 the Notes will carry an interest rate of 8.5% per annum. The interest payable on the relevant interest payment date, April 11, 1991 will be U.S. \$425.56 for each Note of U.S. \$10,000 denomination and U.S. \$10,554.06 for each Note of U.S. \$250,000 denomination.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

October 11, 1990



INTERNATIONAL COMPANIES AND FINANCE

Saks to shed 700 staff and sees no growth in sector

By Nikki Tall in New York

SAKS Fifth Avenue, the US department store chain which was bought by an Arab-led investment consortium from Britain's BAT Industries for \$1.6bn last July, yesterday said it was to cut 700 jobs, or about 7 per cent of its full-time workforce.

Saks, which was unveiling details of a "five-year strategic plan," said it expected "zero sum growth" for the US retail sector in the period ahead.

Saks refused to comment on its profits or sales expectations for the current 12 months, beyond saying that like-for-like sales were "nicely ahead by our standards" and that it expected a "satisfying year".

In the first half, Saks fell short of its projections, according to a confidential memorandum which surfaced this year. They had expected trading

profits of \$32m and \$33m respectively, while the actual figure was \$28.4m.

Under the plan, Saks anticipates capital expenditure of about \$250m, with most of this going on renovations. The same memorandum - a confidential bank financing document - had suggested that capital expenditure could decline from a peak of \$97m this year to \$32m by 1995.

The five-year plan also envisages a doubling of sales by the Folio direct mail business, to about \$110m by 1995.

Saks, meanwhile, said it was looking to expand into the Far East and European markets, and was "in preliminary discussions" in both areas.

Some of Saks' job cuts will take effect immediately, while others will be spread into the first half of 1991.

Mead third-quarter earnings fall 34%

By Karen Zagor in New York

MEAD, the US pulp and paper company which also owns the Nexia electronic database, yesterday reported a sharp fall in third-quarter earnings.

The company blamed the decline on weaker markets for northern softwood pulp and lumber produced by Mead's 50 per cent-owned affiliate, Northwest Pulp.

For the three months ended September 30, Mead's net income dropped 34 per cent to \$45.8m or 72 cents a share from \$69.7m or \$1.06 a year earlier. Sales grew 6 per cent to \$1.27bn from \$1.2bn.

Earnings from operations, excluding extraordinary items, fell 18 per cent to 68 cents a share from 83 cents a year ago. For the first nine months, net income fell 29 per cent to

\$131.4m or \$2.07 a share from \$194.5m or \$2.93 a year earlier. Sales edged higher at \$3.64bn from \$3.53bn.

The results were worse than some analysts had expected and shares in Mead slipped 11% to \$22.4 at midday yesterday on the New York Stock Exchange.

The company, which is based in Dayton, Ohio, said the start-up of its new coated paperboard mill in Alabama was ahead of schedule. Its investment in the mill, which will produce coated paperboard for beverage packaging and folding cartons, is expected to total \$68m.

Although the mill will continue to hurt Mead's results in the short-term, analysts are bullish about the investment.

Westinghouse income up 9% on strong orders

By Martin Dickson in New York

WESTINGHOUSE Electric, the Pittsburgh-based conglomerate, yesterday reported a 9 per cent increase in third-quarter net income, helped by acquisitions and strong orders for power generation equipment.

Despite the slowdown in US economic growth over the past year, Westinghouse reported net income for the quarter of \$255m or 87 cents a share on revenues of \$3.2bn, against \$235m or 80 cents a share on revenues broadly the same in the third quarter of last year. For the first nine months net income was 10 per cent ahead at \$717m.

In common with other US power generation manufacturers, Westinghouse has been

enjoying a rush of orders for turbines and other equipment.

The group's broadcasting business produced increased revenues and operating profits during the quarter, but this was because of recent radio station acquisitions.

Similarly, the acquisition of office furniture companies meant revenues and profits were higher at Westinghouse's commercial division.

Financial services reported flat revenues and lower operating profits, partly because of increased loan reserves at Westinghouse Credit.

Third-quarter operating profit was \$377m, giving an operating profit margin of 11.5 per cent, up from 10.4 per cent.

Mesa to sell oil and gas areas

MESA LP, the US resources group, is to sell oil and natural gas properties and undeveloped leasehold acreage to Seagull Energy of Texas for \$376m in cash and the assumption of about \$50m of liabilities, Reuters reports.

Mesa said it would also receive an additional payment of up to \$50m in 1994 based on the weighted average price of natural gas sold from the properties between 1991 and 1993.

It added that the properties being sold comprised about 15 per cent of its expected proved reserves at year-end and consisted mainly of its Gulf Coast offshore, mid-continent and Rocky Mountain areas of operation.

Seagull said it expected to gain financing for the transaction through conventional banking sources. It said that over the next few months it would sell any of the Mesa properties which proved non-strategic.

Airlines in Canada suffer the pains of restructuring

Bernard Simon reports on the industry's difficulties

When Canada's airline industry started the process of deregulation in the mid-1980s, warnings abounded that the process would be a painful one.

It took a few years for the first bruises to appear. But the restructuring is now in full swing, and casualties are mounting as the pain of adjusting to unprotected markets is compounded by a downturn in traffic and climbing costs.

The pressures facing airlines is the pruning of routes, aircraft and staff numbers ordered by Air Canada, the country's biggest carrier.

The measures include 2,900 redundancies, 13 per cent of the workforce, and the abandonment of a once-lucrative route to Bombay and Singapore, and the sale of three Boeing 747-400s.

Perhaps most humiliating for Canada's 30th biggest company, the airline plans to move its head office from an imposing building in downtown Montreal to an enlarged technical centre near Dorval airport.

Stiffening competition has already led to a shake-up among regional airlines. Some have disappeared, while others have found a lucrative niche as feeder carriers for Air Canada or the country's other major airline, Canadian Airlines International (formed in 1988 by the merger of CP Air and Pacific Western Airlines).

Wardair, the biggest charter carrier, collapsed into Canadian Airlines' arms last year after an unsuccessful attempt to take advantage of deregulation by entering the scheduled service market. Another

well-known charter operator, Worldways, is in financial difficulties.

With Air Canada having taken its medicine, the focus shifts to its main rival, Digestive Wardair has proved more difficult than Canadian Airlines expected. The upshot has been a loss of 2,500 jobs and the sale of Wardair's fleet of 747s and Airbus A-310s.

Canadian is conducting another sweeping review of its domestic services, details of which are likely to be unveiled shortly. Further aircraft sales are expected.

Canadian airlines, serving a small market of 26m people spread across the world's second-biggest country, face some special challenges. The widely dispersed population means that most routes cannot profitably support a large number of non-stop daily flights by the

traffic agreement aimed at liberalising cross-border air services.

While Canadian carriers are seeking a bigger slice of the North American market, they fear the consequences of competition from the US behemoths which account for about two thirds of scheduled traffic between the two countries.

Mr Claude Taylor, Air Canada's chairman, notes that "when Canadian carriers go shopping, other big international carriers see Canada as a relatively small market. We don't have as much to bring to the table."

The stiffening overseas rivalry is illustrated by the fate of Air Canada's service to Bombay and Singapore. When it introduced this service almost five years ago, the airline attracted 76 per cent of its business from the stopover in London.

But without the equipment to fly non-stop from London to Singapore, Air Canada has now lost much of the business. As both domestic and foreign skies become less friendly, the question is whether Canada can support two major international carriers.

Mr Taylor is among those who believe there is room for only one. He notes that "critical mass is going to be very important" on international routes, and in the domestic market which feeds them.

The belt-tightening now under way at Air Canada and Canadian Airlines is a clear sign that if one is to swallow the other, each wants to be the predator rather than the victim.



wide-bodied jets which passengers prefer.

The few exceptions include the Montreal-Ottawa-Toronto triangle and a handful of long-haul routes, such as from Toronto to Vancouver and Calgary. Pressure for further rationalisation is also coming on the international front. Canada and the US announced last week that they planned to negotiate a new bilateral air

Int'l Paper slips 13% in industry downturn

By Martin Dickson

INTERNATIONAL Paper, the largest US forest products group, has underlined the cyclical downturn in the industry by reporting a 13 per cent drop in third-quarter earnings, compared with the same period last year.

However, the figures were in line with expectations and analysts noted that the company's performance so far this year had been better than that of many competitors.

The company reported third-quarter net earnings of \$191m or \$1.66 a share on sales of \$3.5bn, compared with net profits of \$215m or \$1.91 a share on sales of \$2.8bn in the third quarter of last year.

For the first nine months, earnings per share were down 15 per cent at \$5.01. The group earned \$1.65 and \$1.70 a share in the first and second quarters.

Mr John Georges, the chairman, attributed the "relative strength of our earnings" to internal improvement and acquisition programmes. The group has expanded in Europe with the acquisition last year of Anasudat Rey in France and Zanders in West Germany.

COMPANY NOTICES

THE GOLD EXCHANGE FUND

NOTICE OF A RESOLVED MEETING: NOTICE IS HEREBY GIVEN that a meeting of holders of the Gold Exchange Fund (the "Fund") will be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

1. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

2. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

3. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

4. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

5. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

6. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

7. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

8. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

9. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

10. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

11. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

12. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

13. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

14. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

15. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

16. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

17. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

18. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

19. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

20. That the Meeting of holders of the Fund be held on the 10th day of October 1990 at 10.00 am in the City of London at the Bank of Scotland Trust Company (Limited), 100, Broad Street, London, EC2M 1TL, for the purpose of considering and voting on the following resolutions:

CONTRACTS & TENDERS

PORTSMOUTH CITY COUNCIL

CLEANING OF PUBLIC

CONVENIENCES

SELECT LIST OF TENDERS

In accordance with the Local Government Act 1985 Portsmouth City Council will be inviting tenders for the cleaning of public conveniences within the City for a period of 4 years (which may be extended by up to 2 years). The City Council reserves the right to alter the quality of cleanliness of the facilities provided and to alter the price and the amount of work to be carried out to provide the highest level of service at all times.

The City has a population of 187,000 which is expected to increase to 200,000 by the year 2000. The public conveniences number 20 which includes some newly built at locations in tourist resorts, central urban and City areas.

The Specification and Conditions of Contract will be available for inspection, free of charge, between 9.30 am and 4.00 pm, Monday to Friday, from 12 November to 10 December at the offices of the Director of Engineering, City of Portsmouth, 100, Southsea, Portsmouth PO1 2AS. During this period prospective tenders can obtain copies of the specification and tender forms on payment of £20 per set.

Applications from contractors wishing to be considered for inclusion on the Select List must be received by the Director of Engineering no later than Monday 19 December 1990. All applicants will be asked to complete a questionnaire, the response to which will be taken into account when compiling the Select List.

ALUMINIUM

The Financial Times proposes to publish this survey on:

24th October 1990

For a full editorial synopsis and advertisement details, please contact:

Anthony G. Hayes
021-454 0922

or write to him at:

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LEGAL NOTICES

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INTERNATIONAL CAPITAL MARKETS

UK long bond yields little changed in active trading

By Simon London in London and Karen Zagor in New York

UK GOVERNMENT bonds closed little changed yesterday after a day of volatile trading amid rumour and counter-rumour. The benchmark 10-year gilt yield of 11.37 per cent, down from 11.41 per cent.

Unfounded reports that military hostilities had broken out in the Gulf saw the December futures contract trade down to 84.02 in mid-morning after opening at 84.18.

However, improved sentiment in the afternoon lifted prices and the contract closed slightly up on the day at 84.20.

Analysts suggest that uncertainty is the overriding factor in the market, with trading houses taking different views on the impact of sterling's entry into the European exchange rate.

There is a consensus that the shorter-dated gilts will benefit as the government lowers interest rates. One house is forecasting a 2 per cent cut in

GOVERNMENT BONDS

base rates within six months. However, at the longer end, expectations are caught between the prospect of new gilt issuance next year and a deflationary economic outlook.

GERMAN federal government bonds were sold off in the cash market, with the 10-year bond closing on a yield of 9.12 per cent, against 9.08 per cent on Tuesday.

The futures market performed better, and the key December futures contract closed at 80.95 after opening at 80.70 and trading as high as 80.93.

The market is waiting for wholesale inflation data for September, which may be announced today. Analysts suggest that the market is caught between the downside pressure of supply, with the government borrowing requirement estimated at between DM120bn and DM140bn next year, and the relatively favourable currency and interest-rate environment.

THE FRAGILE optimism prompted by sterling's entry into the ERM evaporated from other European government bond markets yesterday.

Sharply higher oil prices and further weakness for US Treas-

BENCHMARK GOVERNMENT BONDS

	Coupon	Yield	Price	Change	Yield	Week	Month
UK GILTS							
10.500 08/82	102-27	-	11.78	12.83	12.52		
9.000 03/00	86-20	+0.03	11.34	11.74	11.81		
8.000 10/08	85-00	+0.04	10.91	11.11	11.18		
US TREASURY							
8.750 08/00	99-10	-15/32	8.85	8.70	8.78		
8.750 08/20	97-14	-25/32	8.00	8.88	8.91		
JAPAN							
No 119 4.800 8/89	82.8038	-0.208	8.17	8.28	8.23		
No 120 4.400 8/90	82.2359	-0.200	7.86	7.94	7.98		
GERMANY							
8.500 08/00	96.1700	-0.180	9.10	9.24	9.36		
FRANCE							
8.000 11/85	94.9002	-0.120	10.32	10.56	10.19		
8.000 03/00	88.2300	-0.180	10.80	10.82	10.27		
CANADA							
10.500 07/00	94.8500	-0.750	11.42	11.16	10.76		
NETHERLANDS							
9.000 10/00	98.6800	-	9.21	9.24	9.10		
AUSTRALIA							
12.000 07/00	87.6688	-0.577	13.54	13.50	13.45		

London closing, "Derivative New York morning session. Prices: US, UK in 32nds, others in decimals.

Yields: Local market standard. Prices: US, UK in 32nds, others in decimals.

Technical Data/ATLAS Price Sources

of trading when November

crude oil reached a record high of more than \$41 a barrel, but started to recover at midday as oil prices showed signs of weakening.

THE SPREAD of Canadian government bonds over US Treasuries has widened in the last two weeks, and the performance continued yesterday.

The benchmark 10-year 10-year issue was trading at 94.80 in late trading, for a yield of 11.39 per cent, against 11.34 per cent on Tuesday. At this point on the yield curve the spread over US Treasuries is now 253 basis points, against 240 basis points a week ago.

The widening of spreads has been blamed on the worsening economic outlook in Canada. Confirmation of recessionary influences in the economy came with a year-on-year 16 per cent reduction in housing starts for September.

Also undermining confidence is an increase in political situation. The latest constitutional battle is over a proposed 7 per cent goods and sales tax, being held up in the opposition-dominated Senate.

THE JAPANESE stock and bond markets were closed for a national holiday yesterday.

The Bank of Tokyo has joined the FXNET System, becoming the first Japanese bank to take part in a foreign exchange netting network. Reuters reports from New York.

The system, which allows members to settle foreign exchange transactions with each other with a single payment at the end of the day, includes 17 major banks in London and New York.

Polish bond sales jump as sell-offs approach

By Christopher Bobinski in Warsaw

SALES of Polish government bonds, being issued to facilitate the purchase of shares in state-owned companies, expanded appreciably last month as November, the date of the first government disposals, approached.

The value of the bonds is indexed to the monthly inflation rate and, when used to buy shares, command a 20 per cent premium. The bonds are redeemable in 1994.

They first went on sale last December when 40bn zlotys-worth (\$4.4m) were sold, according to the Domestic Economy Bank (BCE), which is acting as an agent for the government. Demand later lapsed, with sales totalling just 6bn zlotys in June and 5bn zlotys in July.

However, last month 73bn zlotys-worth were sold, bringing total sales to 215bn zlotys. The Polish authorities hope to raise 6,000bn zlotys from the issue.

The overall price of the first six companies the government plans to sell in the next few months has been reported at 360bn zlotys. Only a portion of the shares will go on sale under public subscription.

The Fampa engineering works, valued at 17.3bn zlotys, will be sold to a foreign buyer, and minority shares in the other companies will be offered abroad.

Assurances Generales de France (AGF) is in the final stages of talks with Solidarity's Warsaw region on jointly establishing two insurance companies. One will concentrate on marine insurance, and the other on non-life insurance.

The initial capitalisation of the joint venture is set at \$10m, with the Polish side holding 51 per cent. AGF expects the companies to be operational at the beginning of next year.

Vessel insurer to increase rates by 25%

By Richard Lapper

SWEDISH CLUB, the Gothenburg-based mutual marine insurer, is to increase its rates for hull insurance by an average of 25 per cent.

The move comes amid growing concern among international marine insurance markets about the effects of continuing fierce competition on the long-term viability of marine insurance business.

Last month one speaker at the International Union of Marine Insurance (IUMI) in London suggested that the industry faced imminent extinction unless "the totally inadequate" premium base was recognised.

Swedish Club, which writes about 3 per cent of total world hull premiums, is an important player in a highly fragmented market. At present it pays out roughly half as much again in claims as it earns in premiums, says managing director Mr Lars Lindfelt.

Following recent falls in world equity markets, investment income was no longer covering losses. Last year, retained premium income amounted to SKr137.5m (\$25m) against claims of SKr199.5m.

"We are everyone else in the hull market, who make a loss on our hull business. Our board of directors, who are themselves shipowners, believe it is a situation that cannot now be allowed to continue any longer," said Mr Lindfelt.

Premiums are to be increased by at least \$15,000 for each vessel on Swedish Club's books at the beginning of next year, although renewal rates will continue to reflect the claims records of each fleet.

Deductibles - the amount paid by insurers on each claim - are also to be increased by a minimum of \$15,000. Although the increase could lead to some members leaving Swedish Club, Mr Lindfelt stresses that the group has enough financial strength to withstand any short-term dip in market share.

Mr Lindfelt says that although many marine underwriters accept the need for rate increases, many insurers are continuing to write business because they may be unaware of poor claims results or because they need money to pay claims.

"Too many underwriters are still chasing the same business," he said.

There has been some progress this year with the number of syndicates writing marine insurance at the Lloyd's insurance market, declining as a result of a process of mergers between syndicates.

The Swedish Club, which is owned by more than 100 shipowners mainly from Europe and the Far East, insures the hulls of about 480 ships.

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926912	9:14	2.86	
3312	7:51	3.26	
9312	7:51	2.51	
456	6:39	2.64	
995	29:50	2.02	
75364	9:55	4.40	
5364	24:02	5.86	
60	11:03	16.15	
9540	4:16	3.48	
1081	21:16	2.42	
540	8:54	7.70	
		5.68	
LS	h:m		
72	2:28	58.92	

FT/IBID INTERNATIONAL BOND SERVICE

Latest prices for the latest international bonds for which there is no adequate secondary market.

Latest prices at 10:30 pm on October 10

ISD				Yield				Price				Change			
U.S. DOLLAR STRAIGHTS				Yield				Price				Change			
100 000	08/82	102-27	-	11.78	12.83	12.52		100 000	08/82	102-27	-	11.78	12.83	12.52	
100 000	03/00	86-20	+0.03	11.34	11.74	11.81		100 000	03/00	86-20	+0.03	11.34	11.74	11.81	
100 000	10/08	85-00	+0.04	10.91	11.11	11.18		100 000	10/08	85-00	+0.04	10.91	11.11	11.18	
100 000	08/00	99-10	-15/32	8.85	8.70	8.78		100 000	08/00	99-10	-15/32	8.85	8.70	8.78	
100 000	08/20	97-14	-25/32	8.00	8.88	8.91		100 000	08/20	97-14	-25/32	8.00	8.88	8.91	
100 000	08/89	82.8038	-0.208	8.17	8.28	8.23		100 000	08/89	82.8038	-0.208	8.17	8.28	8.23	
100 000	08/90	82.2359	-0.200	7.86	7.94	7.98		100 000	08/90	82.2359	-0.200	7.86	7.94	7.98	
100 000	08/00	96.1700	-0.180	9.10	9.24	9.36		100 000	08/00	96.1700	-0.180	9.10	9.24	9.36	
100 000	11/85	94.9002	-0.120	10.32	10.56	10.19		100 000	11/85	94.9002	-0.120	10.32	10.56	10.19	
100 000	03/00	88.2300	-0.180	10.80	10.82	10.27		100 000	03/00	88.2300	-0.180	10.80	10.82	10.27	
100 000	07/00	94.8500	-0.750	11.42	11.16	10.76		100 000	07/00	94.8500	-0.750	11.42	11.16	10.76	
100 000	10/00	98.6800	-	9.21	9.24	9.10		100 000	10/00	98.6800	-	9.21	9.24	9.10	
100 000	07/00	87.6688	-0.577	13.54	13.50	13.45		100 000	07/00	87.6688	-0.577	13.54	13.50	13.45	
100 000	08/82	102-27	-	11.78	12.83	12.52		100 000	08/82	102-27	-	11.78	12.83	12.52	
100 000	03/00	86-20	+0.03	11.34	11.74	11.81		100 000	03/00	86-20	+0.03	11.34	11.74	11.81	
100 000	10/08	85-00	+0.04	10.91	11.11	11.18		100 000	10/08	85-00	+0.04	10.91	11.11	11.18	
100 000	08/00	99-10	-15/32	8.85	8.70	8.78		100 000	08/00	99-10	-15/32	8.85	8.70	8.78	
100 000	08/20	97-14	-25/32	8.00	8.88	8.91		100 000	08/20	97-14	-25/32	8.00	8.88	8.91	
100 000	08/89	82.8038	-0.208	8.17	8.28	8.23		100 000	08/89	82.8038	-0.208	8.17	8.28	8.23	
100 000	08/90	82.2359	-0.200	7.86	7.94	7.98		100 000	08/90	82.2359	-0.200	7.86	7.94	7.98	
100 000	08/00	96.1700	-0.180	9.10	9.24	9.36		100 000	08/00	96.1700	-0.180	9.10	9.24	9.36	
100 000	11/85	94.9002	-0.120	10.32	10.56	10.19		100 000	11/85	94.9002	-0.120	10.32	10.56	10.19	
100 000	03/00	88.2300	-0.180	10.80	10.82	10.27		100 000	03/00	88.2300	-0.180	10.80	10.82	10.27	
100 000	07/00	94.8500	-0.750	11.42	11.16	10.76		100 000	07/00	94.8500	-0.750	11.42	11.16	10.76	
100 000	10/00	98.6800	-	9.21	9.24	9.10		100 000	10/00	98.6800	-	9.21	9.24	9.10	
100 000	07/00	87.6688	-0.577	13.54	13.50	13.45		100 000	07/00	87.6688	-0.577	13.54	13.50	13.45	
100 000	08/82	102-27	-	11.78	12.83	12.52		100 000	08/82	102-27	-	11.78	12.83	12.52	
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100 000	03/00	86-20	+0.03	11.34	11.74	11.81		100 000	03/00	86-20	+0.03	11.34			

INTERNATIONAL CAPITAL MARKETS

WestLB chief backs exchanges' self-regulation

By Katharine Campbell in Frankfurt

MR. FRIEDEL, WestLB's chief executive of WestLB, the largest public sector Landesbank in Germany, has endorsed the self-regulatory tradition of the country's stock exchanges and is holding out against the encroachment of bureaucratic centralist regulations, including those from the European Commission.

The Frankfurt Stock Exchange, by far the largest of the eight regional exchanges, is being privatised at the end of the year, renewing the debate as to how the stock market should be policed.

Pressure from international investors used to stunner standards at home has turned Germany's lax laws into a potential competitive disadvantage. Germany has no centralised securities regulatory commission, and there is, to date, no insider trading law - only a voluntary code of practice.

However, Mr. Neuber, speaking in Frankfurt at a meeting called by the federation of German stock exchanges, said self-regulation had worked in the past and was still relevant - with the onset of increased trading automation and closer co-operation between European stock exchanges.

Arguing against the idea of setting up an American-style Securities and Exchange Commission, he said: "The creation of a central securities regulator would mean the end of the current system of self-regulation." Central regulators had not been demonstrably more efficient than decentral-



Friedel, WestLB's chief executive, has worked in the past

ised bodies, he added. The lack of a German SEC has meant that the country has been under-represented at meetings of international regulators, notably the international securities forum Inso. Now, in an important move, the finance ministry will replace the federation of stock exchanges. The latter did not have the authority of a governmental body.

Mr. Neuber went on to criticise aspects of the EC directive on insider trading, which is due to be adopted in national law by mid-1991. The extension of the concept to "secondary insiders" (defined as anyone who can obtain information from a primary insider) could touch every customer of a bank, he argued, and hence jeopardise the important principle of banking confidentiality.

Accountants link to form international network

By David Waller

SPICER & Oppenheim International and NE International, two international networks of independent accountancy firms, are set to merge to form a network with a presence in 57 countries and annual fee income of more than \$417m.

Spicer & Oppenheim has been seeking a merger partner since July when the UK firm of that name, the strongest practice in the worldwide network, unilaterally opted for a merger with Touche Ross, one of the world's six big accountancy firms.

NE International is centred on Neville Russell, a well established UK firm which earned fees of \$28.2m (\$83m) last year and ranks 15th in the UK. There will be a reshuffling of Neville Russell's existing international link-ups following the arrangement with Spicer.

In common with most international agreements between firms, there will be no financial integration, only a small pooling of expenditure to cover international marketing and other initiatives.

Iva increases loan facility to \$300m

By Simon London

ILVA, the Italian steel group, has increased its previously announced medium-term syndicated loan facility from \$200m to \$300m.

The five-year facility incorporates \$60m and \$240m tranches, and was syndicated on a club basis to a group of 20 banks arranged by S.G. Warburg. For the first three years the facility carries a margin of 20 basis points over the London interbank offered rate, and a margin of 22.5 basis points thereafter. The borrower is Italy's leading steel group and part of the state-owned IRI industrial holding company. Under managing director Mr. Giovanni Gambardella, the company has been restructured.

Eurodollar yield spreads widen on uncertainty

By Tracy Corrigan

EURODOLLAR bonds are becoming increasingly cheap relative to the US Treasury market, yet there is little support for the market at current levels.

Since the start of September, yield spreads of Eurodollar bonds have widened by as much as 40 basis points against the US Treasury market. The widening of the market has been accompanied, as the Middle East crisis triggered a flight to quality, as well as awakening fresh fears about the outlook for corporate America.

The top tier of borrowers, now limited to triple-A rated sovereigns, supranationals and government-guaranteed entities, has held up relatively well. However, corporate and asset-backed paper has taken a severe beating.

The trend became marked in mid-September. Investors, reviewing their portfolios in an attempt to reduce risk, decided that these bonds were vulnerable to impending recession in the US, and started unwinding positions. Asset-backed bonds, under threat from the potential impact of recession on the underlying assets, were also seen to be

menaced by waves of supply waiting to be unleashed. Even triple-A rated corporate bonds have lost substantial ground in the shift from corporate credit.

International investors' distaste for dollar securities generally has served to reinforce the slide in Eurodollar bond prices. Japanese insurance companies, many of which have been buying the recent flurry of Japanese subordinated bank debt, have sold corporate Eurobonds to make room for the new paper.

"There is not a buyer of corporate Eurobonds in sight," says one dealer. The Treasury market rally which followed apparent agreement on US budget deficit reduction only prompted further selling.

The reaction may have been accentuated by the relatively tight spreads established prior to the Gulf crisis. Spreads had been narrowing steadily since March, as clients held tight to paper partly because of the outlook for lower rates.

The market is becoming increasingly tough to trade. "It is hard to get a feel for where the market is when there are no buyers," one dealer said.

Bid/offer spreads have widened, and many dealers are making indicated, rather than firm, prices. A number of Japanese bank papers, on to their illiquid book and off their active book.

Despite the market's weakness, traders are loathe to take short positions in Eurobonds. "There have been some delivery problems, and a lot of houses have stopped being automatic lenders (through the clearing houses)," one dealer lamented. Trading between dealers, which often occupies traders when investor interest dies, has all but evaporated.

The lack of liquidity and the slackness of spreads have left dealers unsure of how to assess value.

Bonds such as the World Bank's recent \$2m five-year offering have performed relatively well. The global bonds were launched at a yield spread of 31 basis points above the curve, and this has widened only moderately to 37 basis points.

But for corporates, credit quality has provided little protection. Toyota Motor Credit launched an issue of three-year

Eurobonds in September at 39 basis points over the curve. The deal now trades at 60 basis points off.

General Electric's three-year Eurobonds have opened to 80 basis points over the comparable Treasury, from 33 basis points. Citicorp's ECCT 9 per cent Eurobonds due 1995, a credit card-backed deal launched at the start of the year, was trading at 45 basis points over the curve a few weeks ago, and is now quoted between 65 and 75 basis points off.

A three-year Ford deal, launched in July at 54 basis points over the curve, is now trading at 100 basis points off.

Usually, when spreads reach certain high levels, a wave of asset-swapping is triggered: investors exchange the fixed-interest payments for a floating-rate interest flow at a margin above the London interbank offered rate. Partly because swap spreads have also been widening, there has been no sign of asset-swapping.

"Certain key spreads used to bring in buyers, but the rules have changed," one trader said. "There are no back-stop bids any more."

European Coal and Steel in \$153m deal

By Tracy Corrigan

IN SPITE OF the lack of demand for dollar securities and the poor performance of the two Eurodollar bonds launched on Tuesday, a further offering of dollar bonds emerged yesterday for European Coal and Steel Company.

The \$153m offering of 9% per cent eight-year Eurobonds, swapped into fixed-rate yen, will match-fund an ECSC loan.

It is ECSC's first financing in the dollar market for four years. The borrower needed to tap the market, in spite of adverse conditions, to finance a yen loan, and the dollar market offered the most attractive funding, an official said.

The bonds were considered aggressively priced at 55 basis points above the interpolated US Treasury yield curve. The deal was supported on full fees of two points by lead manager Mitsubishi Finance.

Underwriters said demand for the bonds was negligible, and many sold their bonds back to the lead at break-even level. The deal was further hampered by the circulation of

rumours during syndication that US troops had moved into Kuwait.

ECSC plans several more bond issues this year, to match-fund loans mainly to southern European firms, mostly to be unwrapped. The final amount of these loans is still under discussion.

Meanwhile, Citicorp's \$45m issue of credit card-backed bonds, through Euro Credit Card Trust 1990-92, continued to suffer. The spread over the five-year Treasury widened to around 104 basis points when the deal was freed to trade yesterday.

The deal was priced to yield 98 basis points over Treasuries. Meanwhile, Ence Ferrovie dello Stato, the Italian state railway, launched two Eurobonds totalling \$800m. The \$800m five-year fixed-rate deal

and the \$500m 10-year floating-rate notes both met firm demand.

"The bonds went much faster than the Pendolina (Ferrovie) new train," said Mr. Roberto Magnifico, head of new issues at Banco di Roma.

The deals were both distributed primarily in Italy, where there is strong interest in issues which are tax-exempt for Italian investors. Two Australian dollar-denominated Eurobonds were launched, as demand in the sector continues to be supported by a steady stream of redemptions, providing retail investors with a flow of reinvestment funds.

The New South Wales Treasury Corporation launched an AS10n issue of zero-coupon bonds which mature in 2020,

the longest-dated issue to date in the market. Despite the high nominal amount of the issue, the borrower is only actually raising \$427.5m (since the issue price is just 2.75).

The low level of investment required encouraged keen demand, with particular interest from Dutch insurance companies, who can match-fund Australian dollar life insurance policies. The deal was bid at issue price.

The Government Insurance Office of New South Wales issued \$450m of three-year Eurobonds via Westpac. Bell South Capital Funding Corporation has issued \$250m of 13% per cent three-year bonds priced at par in the US market. Merrill Lynch Capital Markets is lead underwriter.

Banque Worms to buy broking activities

By George Graham in Paris

BANQUE WORMS, the French bank, has agreed to buy the private client activities of stockbroker Nivard Flomoy, with some FF50m (\$12m) of funds under management, from J.P. Morgan.

Morgan, which owned 52 per cent of Nivard Flomoy, will end with 100 per cent of the broking firm, to be renamed Société de Bourse J.P. Morgan, and will concentrate on providing stockbroking services to institutional and corporate investors.

Nivard Flomoy Gestion will become a separate unit of Banque Worms, which belongs to the Union des Assurances de Paris (UAP), with Mr. Jacques Nivard Flomoy remaining as chairman of the unit.

Nivard Flomoy was one of the most prestigious names on the old Paris Stock Exchange. Morgan had initially planned to take its stake up progressively as far as 80 per cent. However, losses estimated at more than FF1,150m were caused by investment problems, and this year Morgan had to inject fresh capital.

Westpac to absorb unit

WESTPAC Banking, the big Australian bank, is to absorb its investment banking unit, Bill Acceptance Corporation, under reports.

Westpac Banking said: "In the current deregulated market, it is no longer appropriate to operate a separate merchant bank."

Bill Acceptance Corporation has assets of A\$1.8bn and shareholders' funds of A\$65m.

Westpac Banking said the unit was currently making a profit.

"The move will complete the integration with the bank of all Westpac Banking group merchant banking operations in Australia and New Zealand," it said.

Westpac Banking said that it had once attempted to sell Bill Acceptance, but could not find a buyer.

INTERNATIONAL BONDS

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NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
EURODOLLARS						
US Coal & Steel Comm. (a)	153	9%	101 1/4	1998	2 1/4	Mitsubishi FinInt
AUSTRALIAN DOLLARS						
NSW Treasury Corp. (a)	150	20%	2.75	2020	3 1/4	Hambros & Co
Govt. Office NSW (a)	50	14%	101.85	1993	1 1/4	Westpac
LIBOR						
Ence Ferrovie D'Etat (b)	800bn	(b)	101	2000	70/40bp	Banco Nazionale D'Laboro
Ence Ferrovie D'Etat (a)	300bn	12	101	1995	1 1/4	Banco Di Napoli

*Private placement. *Convertible. *With equity warrants. *Floating rate notes. *Final terms. a) Non-callable. b) Coupon pays 6-month LIBID. Callable from November 1992 at par.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

British Funds	Rises	Falls	Same
Corporations, Dominion and Foreign Bonds	7	62	23
Industrial	164	608	791
Financial and Properties	52	355	308
Oil	23	31	32
Plantations	0	3	7
Mines	17	56	83
Others	30	101	86
Totals	324	1,226	1,340

LONDON RECENT ISSUES

ISIN	Amount	Issue Date	High	Low	Stock	Closing Price	Yield	Yield to Maturity	Yield to Call	Yield to Put	Yield to Convert	Yield to Redeem	Yield to Liquidate	Yield to Surrender	Yield to Withdraw	Yield to Cancel	Yield to Terminate	Yield to Expire	Yield to Maturity	Yield to Call	Yield to Put	Yield to Convert	Yield to Redeem	Yield to Liquidate	Yield to Surrender	Yield to Withdraw	Yield to Cancel	Yield to Terminate	Yield to Expire
100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

FIXED INTEREST STOCKS

ISIN	Amount	Issue Date	High	Low	Stock	Closing Price	Yield	Yield to Maturity	Yield to Call	Yield to Put	Yield to Convert	Yield to Redeem	Yield to Liquidate	Yield to Surrender	Yield to Withdraw	Yield to Cancel	Yield to Terminate	Yield to Expire
100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

RIGHTS OFFERS

ISIN	Amount	Issue Date	High	Low	Stock	Closing Price	Yield	Yield to Maturity	Yield to Call	Yield to Put	Yield to Convert	Yield to Redeem	Yield to Liquidate	Yield to Surrender	Yield to Withdraw	Yield to Cancel	Yield to Terminate	Yield to Expire
100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

TRADITIONAL OPTIONS

ISIN	Amount	Issue Date	High	Low	Stock	Closing Price	Yield	Yield to Maturity	Yield to Call	Yield to Put	Yield to Convert	Yield to Redeem	Yield to Liquidate	Yield to Surrender	Yield to Withdraw	Yield to Cancel	Yield to Terminate	Yield to Expire
100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

LONDON TRADED OPTIONS

ISIN	Amount	Issue Date	High	Low	Stock	Closing Price	Yield	Yield to Maturity	Yield to Call	Yield to Put	Yield to Convert	Yield to Redeem	Yield to Liquidate	Yield to Surrender	Yield to Withdraw	Yield to Cancel	Yield to Terminate	Yield to Expire
100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

UK EQUITY futures continued to drift lower yesterday as attention focused on tension in the Gulf and worries about the impact of higher oil prices. In the traded options market, dealing was largely technical as investors largely over stocks that expire soon.

A rash of speculation about the Gulf and fading optimism after the oil price rally produced an erratic performance by index futures.

Investors believe the prospect of another oil price cut in interest rates will leave the market several hundred points higher by the year.

However, others take a more bearish view and believe the rise in oil prices and the absence of a settlement in the Gulf will continue to undermine the outlook for equities.

The December FT-SE 100 index closed at 2,181, down 19 points on the day. December's premium over the spot FT-SE index widened slightly to 64 points and compares with fair value of 45-50. As the futures market traded above fair value, some arbitrageurs laid futures and bought stock.

In the traded options market, turnover was higher, although this was due to investors rolling

over expiring October contracts.

A total of 49,141 contracts changed hands, compared with 43,942 in the previous session. The FT-SE index traded 1,728 contracts up by about a half, but trading continued to dominate with October contracts proving the most popular.

Among the stock options, BP was the main feature, although this was mostly due to expiry-related activity. A rise in the oil price also prompted some modest buying.

The other busiest stock options included GEC (2,425 contracts; Amstrad (1,554); Hanson (1,410); and British Telecom (1,261).

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FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS

Figures in parentheses show number of stocks per section

Wednesday October 10 1990

Index No. Day's Change % Est. Earnings Yield % Gross Div. Yield % Net Div. Yield % Index No. Day's Change % Est. Earnings Yield % Gross Div. Yield % Net Div. Yield % Index No. Day's Change % Est. Earnings Yield % Gross Div. Yield % Net Div. Yield % Index No. Day's Change % Est. Earnings Yield % Gross Div. Yield % Net Div. Yield %

1. CAPITAL GOODS (196) 710.14 -1.0 15.69 6.69 7.80 31.33 717.08 746.98 720.99 691.14

2. Building Materials (226) 772.83 -1.5 15.08 6.26 8.14 39.70 787.15 1019.24 945.95 1014.62

3. Contracting, Construction (35) 1152.72 -2.2 18.19 6.92 7.18 56.07 1167.14 1214.28 1089.25 1014.62

4. Electricals (10) 1464.70 0.1 14.64 7.00 8.36 24.21 1474.71 1534.71 1264.71 1264.71

5. Electronics (26) 1558.19 -1.4 10.79 5.49 12.68 56.74 1580.45 1643.94 1614.60 1594.83

6. Engineering-Aerospace (8) 409.58 -0.7 16.46 5.89 7.30 15.17 412.63 431.92 432.97 0.00

7. Engineering-General (47) 369.71 -1.8 16.21 7.02 7.42 16.85 376.38 385.67 371.91 0.00

8. Metals and Metal Forming (8) 407.53 -0.6 27.96 8.19 4.35 17.02 410.14 425.51 417.72 457.23

9. Motors (13) 267.60 -1.3 19.10 8.87 6.10 14.41 271.17 286.72 287.84 354.36

10. Other Industrial Materials (23) 1168.83 -0.2 14.11 6.98 8.02 60.14 1166.84 1229.76 1216.11 1072.31

11. Textiles (12) 1197.04 -0.3 10.33 4.31 11.96 30.57 1200.43 1235.93 1194.40 1260.61

UK COMPANY NEWS

Davy Corp pays £21.4m for Expanded Piling

By Richard Gouley

DAVY CORPORATION, the British-based engineering group, has paid £21.4m for Expanded Piling Group, which comprises three piling and ground engineering companies. Monk Construction, Davy's main construction and property company, is to pay £12.8m in cash and the balance in unsecured loan stock for the company, which in the year to August 1989 made pre-tax profits of £4.8m on turnover of £16m.

Mr Maurice Conaghan, Davy Corp's chief executive for construction, said the acquisition

would provide in-house piling and engineering capability. Monk had been at a disadvantage within the sector compared to Trafalgar House and Balfour Beatty by not having an integrated piling operation, according to stockbrokers Kleinwort Benson.

Davy is paying five to six times earnings for Expanded Piling, which had net assets at the acquisition date of £9m. Analysts said that taking account of Expanded Piling's net position, Monk had paid a good price, although the acquisition came at the top of the sector's business cycle.

Pre-tax profits from Davy's construction division last year jumped 50 per cent to £12.3m, 41 per cent of group profits of £30m. Construction normally accounts for about 20 per cent of group profits. However, there were losses of £28m in 1989 in the offshore division because of problems with its Emerald field contract in the North Sea.

Expanded Piling consists of three private piling companies, with a head office in Grimsby. Through the sale, Mr Rowland Smith, the retiring chairman, has severed his family's connection with the company.

Corton Beach asks bankers for receiver

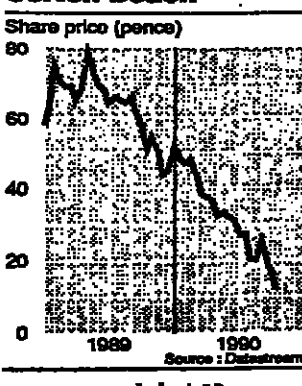
By Clare Pearson

GLOOM DEEPENED in the smaller companies sector yesterday when Corton Beach, the once-enthusiastic mini-conglomerate with Mr Michael Keen as chairman, said that it had requested its bankers to appoint a receiver to take charge of its affairs.

The statement said that the directors had presented a proposal to refinance the company but the group's bankers were unable to accept.

The statement also said that the directors hoped that buyers for the group's motor, food and leisure businesses would emerge. The ordinary shares

Corton Beach



were suspended at 12p.

Corton Beach had been seeking support while it carried out a series of asset sales to reduce borrowings.

In its results for the half-year to the end of July, announced slightly earlier than expected, the company revealed that its taxable profits had almost halved from £2.5m to £1.25m.

Yesterday's announcement follows the resignation last Friday of Mr Keen as non-executive chairman of the leisure wear concern Propeller, a fellow USM company in which Corton Beach had a 23 per cent stake.

Storehouse

Storehouse, the retailing group, said that its 21 Mothercare stores in Switzerland and Austria were to be franchised to Future Care Holding, a privately-owned Swiss company.

The move would bring the number of franchised Mothercare outlets to 79 in 23 countries. As part of the deal, Storehouse is to sell its Mothercare interests in the two countries for Sfr 4.1m (£1.6m) in cash. It may receive a further Sfr 1m depending on the stores' future profits. As a result of the disposal, Storehouse will incur a net extraordinary loss of £4.5m.

Divisive opinions in a divided island

Kerin Hope charts Cypriot reactions to the Polly Peck imbroglio

A 100 Turkish lira stamp issued by the Turkish Republic of Northern Cyprus, an entity recognised only by Ankara, shows a vessel owned by a subsidiary of Polly Peck International loading oranges at Famagusta port.

Both Polly Peck's operations and those owned separately by its chairman, Mr Asil Nadir, the richest native son of the divided island's Turkish sector, are clearly crucially important to the economy of northern Cyprus.

Tomorrow Polly Peck faces what may be a make-or-buy decision with creditor banks in London. The financial status of its Cypriot businesses is a key factor, both in terms of their cash resources and possible proceeds if sold.

The parent company folds its Cypriot operations into the broader category of Near and Middle East, which accounted in 1989 for turnover of £405m and operating profits of £107.7m, respectively 35 per cent and 67 per cent of the group totals.

But according to local Cypriot businessmen, a conservative estimate is that the group's subsidiaries contribute at least 25 per cent of gross national product in the break-away Turkish Cypriot state, which totalled £42m last year.

The Nadir Group of Companies, an umbrella sheltering seven Polly Peck subsidiaries, is the biggest taxpayer in northern Cyprus and the second largest employer after the state. It accounts for 5,000 jobs, not counting between 2,000 and 3,000 seasonal workers.

The companies are: Sunest Trading, which exports locally grown citrus, orange juice concentrate and potatoes;

Uni-Pac Packaging, which produces and exports cartons; Pearl Construction, responsible for building two recently completed four-star hotels and another five-star establishment still under construction;

Wearwell, the clothing company with which Mr Nadir's London stock market career started in the 1970s. Its Nicosia factory is supervised by his mother;

ICP (Cyprus), a small pharmaceutical manufacturer; Water Bottling, said to be a subsidiary for distributing the Polly Peck group's televisions

and bottled water; Voyager (Cyprus), which operates the Girne View and Palm Beach hotels.

Mr Nadir's personal holdings on the island include a bank, the Cyprus Industrial Bank; a publishing company, AN Graphics, which puts out three daily newspapers and an English-language weekly; and Comar, a company which carries out public opinion polls.

The Nadir Group's results are not made public in northern Cyprus. According to a Chamber of Commerce official, it is not required to produce a balance sheet locally because it is part of Polly Peck, which is not registered in the island.

Local businessmen say that Sunest has improved its position markedly over the past three years and now controls almost two-thirds of the \$35m citrus export market. "Considering that last winter showed exceptionally high (retail) prices, a profit margin of 30 to 40 per cent on citrus for an outfit like Sunest that has its own distribution channel would certainly be reasonable," said one local analyst.

Uni-Pac supplies packaging to the other major citrus exporter, state-owned Cypripruz, and reportedly exports more than half the cartons it produces.

Prospects for the Nadir Group's hotels look bright, with foreign tourist arrivals forecast to rise by more than 25 per cent this year to about 75,000. Noble Air, a charter carrier owned by the Nadir family, flies in British and German tourists.

Full benefits from the hotel operations may take time to come through. The luxurious Jasmine Court Hotel outside Kyrenia was built on the skeleton of a Greek Cypriot apartment development abandoned in 1974. It cost an estimated \$150m, with fixtures imported from the US and Italy, but the opening was delayed by several months.

Last week, just a few British tourists were sprawled around the swimming pool. Construction of the five-star Crystal Cove hotel is also reportedly well behind schedule.

It is not clear whether Mr Nadir will be able to raise the \$70m he said last week he was seeking to remit from northern Cyprus unless substantial transfers are made from Tur-



Rauf Denktaş: dubbed Asil Nadir 'economic commander'

key. According to figures issued by the Central Bank of Northern Cyprus in June, foreign currency reserves amounted to only \$144m (£73.15m), while local currency deposits totalled TL211bn (\$55m).

Feelings in northern Cyprus seem mixed about Mr Nadir's financial difficulties. As the son of a Turkish Cypriot small businessman, he is a local success story to be proud of. At the same time, his enthusiasm for investing in northern Cyprus has proved a catalyst for much-needed development.

But Mr Nadir's close relationship with Mr Rauf Denktaş, the Turkish Cypriot leader, combined with the case with which he has acquired attractive properties that formerly belonged to Greek Cypriots, have drawn criticism from rival contractors and opposition politicians.

Dubbed "the economic commander" of northern Cyprus by Mr Denktaş in a recent speech, some also frown on Mr Nadir for hiring more than a dozen former senior Turkish Cypriot administration officials to some of his local companies.

"Economic development is badly needed. I'm not against that," says Mr Mustafa Akinci, a former mayor of Nicosia and Mr Denktaş's leading political opponent. "But the monopoly on projects that Mr Nadir seems to have is more than unfair."

A few days after a demonstration in Nicosia had supported Mr Nadir, windows were smashed at the offices of his Kibris newspaper. Last week, more than 50 staff at AN Graphics, Wearwell and the pharmaceutical plant were laid off.

Mr Nadir's troubles affect all of us in northern Cyprus. People here should be praying for him," says Mr Süleyman Ergüç, the editor of Kibris.

Mr Nadir's local managers are also not always helpful to outside inquiries. At the weekend, visitors were not welcome at the Uni-Pac offices above the plant in the free zone at Famagusta. The management was said to be in a meeting "for the rest of the day" and a company official refused to disclose their names or even a telephone number.

But at the Jasmine Court Hotel, which opened on the day Mr Nadir was interviewed in London by the Serious Fraud Office, hotel staff were keen to show off the facilities and give details of how much the elaborate furniture and fittings had cost.

Information can be hard to elicit in northern Cyprus at any time, since visitors from the southern Greek Cypriot sector are generally accompanied by a Turkish Cypriot official.

This is partly because of the local administration's view, which is shared by Mr Nadir's newspapers, that Greek Cypriot officials determined to undermine the Turkish Cypriot economy have helped stir up trouble in London for Polly Peck.

Mr Nadir's affairs are closely followed in the south of the island. The Cyprus attorney general's office has taken advantage of Mr Nadir's difficulties to launch a police investigation into accusations that Sunest trades in stolen property. The citrus crops from groves that formerly belonged to Greek Cypriot growers. The Greek Cypriot government itself is carefully keeping its distance from the inquiry.

This announcement appears as a matter of record only.

NORFOLK HOUSE

Norfolk House Group plc

has acquired

The Frost Group plc

The undersigned structured, arranged and underwrote a £28.5 million, 5 year loan note guarantee for the Norfolk House Group plc;

The Chase Manhattan Bank, N.A.

August 1990



Expanding distribution side helps Fitzwilton make £4.8m

By Andrew Bolger

FITZWILTON, the rapidly-expanding holding company headed by Irish-American businessman Mr Tony O'Reilly, yesterday reported a 41 per cent increase in pre-tax profits from £3.38m to £4.8m (£4.28m) in the six months to June 30.

Earnings per share fell slightly to 3.08p (3.14p) on capital increased by the rights issue in April to help fund the purchase of a 9.4 per cent stake in Waterford Wedgwood, the loss-making glass and china concern. The interim dividend was maintained at 1.5p.

Turnover increased to £158m, against £144.6m in the corresponding period. However, the figures are not comparable because in May 1989, the group's motor trader Keep Trust changed from being an associate to a subsidiary.

Fitzwilton yesterday also announced the acquisition of a Yorkshire-based cash-and-carry operation, Brook and Company, its stores in Leeds and Barnsley will be integrated into the expanding distribution division, which includes Roy Hall, Manchester, and the M6 network of five outlets.

Brooks will be paid for with an initial cash payment of £3.5m, the issue of £2.75m in redeemable loan notes next April and a final cash payment next June of not more than £850,000. Brooks had net assets of £2.4m in April and is currently trading profitably.

Mr Kevin McGoran, deputy chairman and chief executive, said the acquisition was part of its expansion of the wholesale distribution division, which had substantially increased pre-tax profits in the first half. The motor division's broad spread of dealerships and geographical locations, combined with a high percentage of reve-



Steering growth, Tony O'Reilly (left) and Kevin McGoran

nue from sources other than new car sales, had minimised the effects of high interest rates. Three outlets with new dealerships had been acquired this year - Toyota, Rover and Peugeot.

Significant progress had also been made at Waterford Wedgwood. The bitter three-month strike at the Waterford crystal plant ended this summer with management succeeding in extending the working week and ending controversial bonus payments.

COMMENT Shareholders who supported April's rights issue of 33m shares at 120p must be feeling pretty disgruntled about the division's performance of the stock, which yesterday closed 2p higher at 70p. The price seems to have suffered from

the glut of paper and market unease concerning motor traders and the industrial dispute at Waterford. Arguably, this reaction has been overdone.

Fitzwilton's cash-and-carry business in a good defensive hold and the group's low reliance on new car sales has also sheltered the motor side from the worst of the recent downturn. The Waterford Wedgwood venture is more speculative, although the initial strike is limited to 9.4 per cent, with options to increase that to 29.9 per cent. New Brokers, Panmure Gordon are forecasting pre-tax profits of £14m and earnings of 9p for the full year.

That puts the shares on a prospective multiple of 18.75 - not too demanding for those who wish to back the management flair of Mr O'Reilly and his team.

NEWS DIGEST

W Lawrence reduced to £3.54m

DIFFICULT trading conditions in UK housebuilding, particularly in the south-east, left profits of Walter Lawrence down by £1.8m to £3.54m pre-tax for the first half of 1990.

The interim dividend is being held at 2p from earnings 3.1p lower at 2.9p.

Mr Mick Pritchard, chairman, warned that current trading conditions were extremely difficult and he added that there was unlikely to be any upturn in the UK housing market until there was a meaningful reduction in interest rates.

He pointed out, however, that the group had an excellent hand bank to support its future housebuilding programme. In southern California the West Development Company turned in a solid performance, increasing its profits contribution in the first half. Mr Pritchard said, however, that house sales in California were becoming difficult and this was likely to affect West Development in the second half.

Turnover expanded from £114.5m to £119.99m. Interest charges rose to £5.28m (£3.94m).

The directors said that at the half-year end debt stood at more than £50m, putting gearing in excess of 100 per cent.

Polymark declines to £0.93m

Polymark International, the

laundry equipment distributor, experienced a £176,000 downturn in pre-tax profits to £981,000 for the six months to end-June.

Continuing operations accounted for £9.2m (£8.2m) total turnover amounting to £16.74m (£21.1m) and for £588,000 (£440,000) of total operating profits of £879,000 (£1,060m).

An extraordinary credit of £2m (debit £150,000) resulted from the sale of the French division to its management earlier this year.

Basic earnings worked through at 4.52p (3.69p). Fully diluted the figure was 2.96p (2.78p).

The directors said that while trading conditions in the short term were likely to be influenced by the prevailing economic climate, the group was now well able to weather a downturn in business. They added that prospects for the long term remained encouraging.

They added, however, that in the current climate they did not consider it appropriate to resume ordinary dividend payments.

Jermyn Investment lower with £0.16m

Jermyn Investment Co reported pre-tax profits of £155,310 for the six months to June 30. That compared with £1.72m in the first half of 1989, which was boosted by £1.5m from share of related companies' profits. Input from that source this time was £104,109.

All other areas achieved profit advances. Net property income came to £45,600

(£34,974). Income from fixed assets was £29,444 (£10,517) and net profit on disposal of fixed assets was £77,733 (£38,552).

After tax of £54,360 (£608,381) earnings per share came through at 5.05p (£5.59p) basic.

Wensum 15% ahead and pays 1.15p

Wensum, clothing company, yesterday reported a 15 per cent increase in pre-tax profits from £231,000 to £269,000. Sales in the six months to July 28 rose from £4.15m to £4.59m.

The company joined the USM in July 1989. It is paying a maiden interim dividend of 1.15p on lower earnings per share of 3.21p (3.33p), which reflected the increased share capital.

Mr Andrew Hughes, chairman, said both of the company's two main areas - corporate clothing and menswear - had fared well during the first half. The group had an excellent forward order book and was currently trading well.

Dauphin profits advance to £2.27m

Profits of Dauphin, the office seating and specialist engineer, rose from £1.55m to £2.27m at the pre-tax level for the half year ended June 30.

Turnover advanced to £11.74m (£10.65m). The interim dividend is being lifted to 1.7p (1.6p) from earnings of 6.9p (5.46p) per 5p share.

The directors did not expect second half profits to match those for the same period a year ago. They said, however, that Dauphin was seeking to

increase market share and broaden its activities both organically and via acquisition.

13% rise at Central & Sheerwood

Central & Sheerwood, the once ailing engineering and property development group headed by Mr Robert Maxwell, made further progress in the six months to end-June.

At the pre-tax level profits improved nearly 13 per cent from £1.2m to £1.35m from turnover £1.22m ahead at £26.42m. An interim dividend of 0.1p (nil) is being paid from earnings of 0.27p (0.26p) per 1p share.

Engineering profits rose to £1.3m (£958,000), while the property contribution fell from £265,000 to £120,000.

Barlows more than doubles to £192,000

Substantially lower financing costs helped Barlows, the north-western property investment, development and trading group, lift pre-tax profits from £89,000 to £192,000 in the six months to the end of June.

Although turnover was down at £1.05m (£1.14m) and operating expenses rose to £274,000 (£268,000), financing costs were less than half last time's £584,000 at £279,000. Within turnover, rental income increased slightly to £949,000 (£981,000) but the disposal of trading properties accrued only £98,000 (£205,000).

Earnings grew to 0.62p (0.43p) per share and the interim dividend is maintained at 0.82p.

BOARD MEETINGS

The following companies have notified dates of their meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official notices are not available as to whether the dividends are interim or final and the subscription sheets below are based mainly on last year's timesheets.

TODAY

Interim: BNS Resources, Cohen (A), Jermyn (B), London Atlantic Inv. Trust, New Ireland Hodge, Queens, Wills.
Final: Microfilm Reprographics, TN Per East Income Trust, Town Centre Securities.

FUTURE DATES

Interim: Atlas Converting Equip., Oct. 16
Lo Grouser, Oct. 16
Storehouse, Nov. 8
TSC Finance, Oct. 25
WBS Industries, Oct. 19

Final: River & Merc. Extra Inc., Oct. 16
Whitney Mackay-Lewis, Oct. 10

Some business travellers will change neither hotel nor newspaper. That's why they are particularly happy to find complimentary copies of the Financial Times at the following hotels in Marseille: Sofitel Marignane, Sofitel Vieux Port.

FINANCIAL TIMES
LONDON'S BUSINESS NEWSPAPER

UK COMPANY NEWS

Banks unhappy about assets offered as security against loans

Manpower's £106m sale hits snags

By Maggie Urry

MANPOWER'S £106m sale of five UK employment agency chains to a management team has hit last-minute problems and will not now be completed by tomorrow as originally expected.

Bank lenders to Brook Opportunities, the buy-out vehicle, appear to be dissatisfied with the assets they are being offered as security for their loans.

The news came just before the stock market closed yesterday with Manpower shares unchanged at 53p.

The deal, announced last month, was to sever finally the connection between Manpower, the US-based employment agency group chaired by Mr Mitchell Fromstein, and Blue

Arrow, the company then headed by Mr Tony Berry which took over Manpower two years ago in a £200m deal.

That deal ended in scandal when a rights issue to finance it flopped.

Since then Mr Fromstein, who left the group in late 1988, has returned, ousting Mr Berry. He changed the company's name back to Manpower and reverted to its US base.

Announcing the delay in completion yesterday, Manpower said: "Brook Opportunities is currently in discussions with its financing partners and is considering with Manpower possible solutions to allow the transaction to proceed."

Manpower said it was pre-

pared to extend the completion date of the sale, and that a delay was not critical to its business.

However, there seems to be pressure on Brook Opportunities to come up with a solution within days rather than weeks to end the uncertainty over the businesses.

The buy-out of the five chains, including Brook Street but excluding the 120-branch UK Manpower chain, is being organised by Prudential Venture Managers.

Mr Paul Brooks, managing director of PVM, said yesterday that he could not comment on the nature of the problem but added: "We are working hard to find a solution."

Under the terms of the sale

contract, the price and details of the financing of Brook Opportunities cannot be changed without Manpower returning to shareholders to ask for approval of new terms. It appears to be reluctant to do this.

Manpower plans to retain a 16 per cent equity stake in Brook Opportunities which is aiming to have £42m of equity with the balance of the purchase price funded by mezzanine debt and bank borrowings.

When the deal was first announced Mr Fromstein said: "The transaction was a difficult one to structure given the current soft market conditions for divestitures and leveraged buy-outs."

Minorco buys first mine in Europe

By Kenneth Gooding, Mining Correspondent

MINORCO, THE Luxembourg-quoted investment arm of the Anglo American Corporation of South Africa, has bought its first European mine. Minorco is transforming itself into an operating natural resources group.

It has paid £14.9m cash for a 50.55 per cent interest in Beralit Tin and Wolfram (Portugal), which operates the only Wolfram mine in Europe producing tungsten concentrate.

The deal also marks the withdrawal of Charter Consolidated of the UK from mining in order to concentrate on its industrial activities. Charter is perceived as part of the Anglo American "family" as Minorco owns 35.8 per cent.

Charter, which auctioned Beralit in two stages to the highest bidder, will receive £11.1m for its 75 per cent of the Beralit holding and £3.8m will go to its former partner in the venture, Union Carbide, the diversified US group.

Minorco is buying net assets valued at £9.3m at March 30, Beralit, suffering because the tungsten market is depressed by Chinese dumping, recorded a taxable loss for the year of £26,000.

IPF, the Portuguese state holding company, owns the rest of Beralit, which employs about 700 people and produces 2,000 tonnes of tungsten a year at its Panasqueira mine in northern Portugal.

Mr Roger Phillimore, Minorco's joint managing director, said that the purchase fitted his company's strategy in that it would have operational management control and access to Beralit's cash flow. "The mine has a high-quality ore body with low waste, a long life. But if it is to be profitable, it needs some love and attention and some investment. Charter was not willing to provide that."

Mr Phillimore said the deal, apart from providing Minorco with its first European mine, also gave the company a foothold in the Iberian peninsula, "which has good exploration potential."

Tough conditions leave Austin Reed 56% lower

By John Thornhill

AUSTIN REED, the upmarket clothing retailer and manufacturer, experienced a 56 per cent fall in interim pre-tax profits from £2.05m to £0.65m as it struggled in the face of tough retailing conditions.

Sales slipped from £41.1m to £40.8m in the half year to August 11 although exports continued to grow.

Operating profits fell heavily from £3.5m to £2.4m but the interest charge was marginally reduced at £1.5m (£1.52m).

The company said that men's clothing - which apparently is always affected worse than womenswear in tight economic times - experienced a fall in sales.

Better results were achieved in the womenswear division which held sales at roughly the same level as last year.

Austin Reed faced an especially harsh trading environment in the US where it has a small chain of shops trading under the Cashmores of Scotland logo.

But the company is seeking to limit its exposure to the market by closing stores. One has already been shut and four more will follow in the second half leaving six still trading.

The manufacturing division increased its export sales and Austin Reed International was said to have performed particularly strongly in its major European markets.

Mr Barry Reed, chairman of Austin Reed, said Britain's decision to enter the exchange rate mechanism and the small reduction in interest rates must be good news in the long term. But he warned that the second half would continue to be tough.

The company maintained its interim dividend at 3p. Earnings per share fell heavily to 2.1p (4.8p).



Barry Reed - the second half will continue to be tough

US sale to realise \$12m less for Saatchi

By Alice Rawthorn

SAATCHI & SAATCHI, the troubled marketing services group, has been forced to reduce the price for the sale of Gartner Group, one of its US subsidiaries, to about \$4m (£2.2m). This is roughly \$12m less than had been originally expected.

Earlier this summer Saatchi, which is selling its management consultancy in an attempt to reduce its debt, reached agreement to sell Gartner, a computer services consultancy, to Information Partners, a US investment fund.

Information Partners, which is backed by Dun & Bradstreet, the market research group with which Mr Robert Louis Dreyfus, Saatchi's group chief executive, has close links, agreed to pay \$6m for Gartner.

That sum was composed of \$5m in cash, subject to estimated adjustment of \$4m, and \$1m in paper.

Since the deal was struck, Gartner's performance has deteriorated. Information Partners has also had to allocate a higher proportion of the equity

than initially expected to Gartner's management to secure its co-operation. It has agreed to give the management about 30 per cent of the shares, rather than the 20 per cent originally envisaged.

As a result the terms of the deal have been renegotiated. Saatchi will now receive about \$3m in cash (after an adjustment of \$7m), together with \$5m in a promissory note and \$15m in paper. Information Partners will pay \$2.5m of the cash in escrow in case further adjustment is necessary.

Saatchi's shares yesterday fell by 2p to 34p.

Saatchi is now trying to complete the sale of its remaining subsidiaries.

Mr Louis Dreyfus intends to close CPC, a real estate consultancy in the US, unless it can conclude a management buy-out.

However he hopes shortly to complete the disposal of McCaffrey & McCall, one of Saatchi's US advertising agencies, and, in the longer term, of Litigation Sciences, its US legal consultancy.

Video hire group's depreciation puzzle

A period of reassessment may be in store, says David Owen

THE ART of accountancy pertaining to the video rental business does not have the ring of a box office smash. It has periodically acquired the status of a "vexing issue" to its cult following of industry executives and sundry investors, however.

This week's profit warning by USM-listed Xtra-vision, pending a revision of its video tape depreciation policy, may usher in just such a period of introspection and reassessment.

The state of play is as follows:

The leading force in the \$550m UK video film-hire market is Cityvision, owner of the Ritz Video chain of outlets. In its annual report for the year to November 30, the group claimed 15 per cent of the market, against less than 3 per cent for its nearest rivals.

Under current accounting policies, both Cityvision and Xtra-vision treat their tape libraries as fixed assets, depreciating them on a straight-line basis over their expected useful life of 30 months to an estimated residual value. According to Xtra-vision, this residual is £3. In the case of Cityvision, it amounts to "about 14 per cent of cost," according to Mr Terry Norris, managing director.

While it has yet to determine precisely what its new guidelines will be, Xtra-vision is poised to move to a more conservative policy. "Obviously, the direction we will go in will be to shorten the length of time over which we write off a tape," according to Mr Sal Perisano, chief operating officer.

Cityvision, however, actually doubled its tape depreciation period from 15 months in 1988. This helped to treble pre-tax profits from £1.54m to £4.62m for the six months to end-May 1989. The company's justification for the change was to bring the depreciation period into line with the average revenue-earning life of its tapes.

Although the group maintained its impressive progress over the year - raising profits for 1989 from £5.4m to £12.5m (and the number of Ritz stores from 185 to 600) - its shares have recently languished, slumping from 146.5p in January to 64p at yesterday's close.

Xtra-vision has now shipped as low as 110p, against the 148p level at which the group came to market in May 1989.

As this week's announcement from Xtra-vision suggests, there appear to be significant doubts in some circles regarding the adequacy of current depreciation parameters in the context of today's video market.

The critical change, the doubters say, is the development of the so-called video "sell-through" market whereby videos are sold through the likes of Woolworths and WH Smith, typically for £9.95.

The average time between a

successful feature film being made available to video rental stores (at £20-£50 a tape) and its appearance on the self-storage shelves is currently about 12 months. Under a 30-month depreciation policy, this can result in a rental company having a used tape on its books at more than £30 at a time when an identical, but brand-new product, is on general sale for under £10 - an apparent anomaly.

This is why Homerus Video, a comparatively small video-hire store operator, depreciates its top titles down to £10 within 12 months, allowing the balance to run off over two years. So-called library stock is written off over three years, equating to a tape's anticipated commercial life before it wears out.

Cityvision's Mr Norris views the sell-through market as "an irrelevance", however. "We are not required to value fixed assets on a net disposable value basis," he says. "You have to value them on the basis of their use to the business you are looking at."

A substantial number of films are, moreover, not released to the sell-through market, he adds. At November 30 1989, more than 60 per cent of Cityvision's tangible assets were in the form of its tape libraries.

Mr Norris says that Cityvision "ends up with a gross margin of between 75 and 80 per cent because we are making

four-to-five times more revenue from a tape than we are paying for it."

Our investment in new stock roughly balances depreciation, so cashflow and profit are very similar when you take out the effect of new stores."

Among the changes being considered by Xtra-vision are the adoption of a two-tier approach, similar to Homerus's, whereby top titles are written off faster than the rest of the stock, and a switch to regarding tapes as current assets.

"That puts tapes in the category of stocks and gives you a bit more flexibility," says Mr Perisano. "We might open cash-and-carry outlets selling mostly external video."

Mr Norris remained firm yesterday that Cityvision did not intend to modify its depreciation parameters.

The group kept the situation under review and had discussed the subject earlier in the week with its auditors. "Just because Xtra-vision sneezed, you cannot expect us to put our coats," he said.

On the possibility of reclassifying tape libraries as current assets, Mr Norris said the company was not allowed to, since it was not holding them for resale.

"At the point at which we are saying 'that tape is no longer held for rental', then it should be reclassified. When we do decide that, they are," he said.

Seafield leaps to £8.2m but passes dividend

Several property realisations, have boosted the interim profit of Seafield, writes Peter Pearce

The company, which added retail development to its previous transport and warehousing businesses with the acquisition of Charterhall Properties in September 1989, reported a taxable profit of £8.2m (£4.08m) in the first half of 1990.

However, Mr Brian Chilver, the former head of Laing Properties who became chairman in July, said that, in the light of current market conditions, no interim dividend (0.4p) was being declared. Indeed, he warned that it was unlikely that a final payment (2p) would be made either. He explained that, allowing for a drop in values of between 15 and 20 per cent, the commercial property division was currently geared at about 55 per cent.

A breakdown of the pre-tax figures reveals that disposals of development properties accrued £6.97m (£1.07m) on turnover of £8.78m (£200,000); net rental income was £1.14m (£24,000) on gross rental income of £1.62m (£5,000); and warehousing and transport contributed a higher £730,000 (£265,000) on turnover of £8.56m (£1.64m). Interest this time took £651,000 (£13,000).

Mr Chilver said that the extraordinary charge of £673,000 (nil) related to a provision against the non-payment of the second instalment of the repayment of a £1.28m fee made to Clighigh Management Consultants, a Gibraltar company connected with Mr Dennis Jones, a former Seafield non-executive director.

Mr Chilver said that Mr Jones had undertaken to procure repayment with interest and that the first tranche of £750,000 was repaid at the end of June. However, the second tranche was not paid on the September 30 due date and the company had failed to trace or make contact with Mr Jones. The matter was now in the hands of Seafield's solicitors.

Group turnover totalled £18.96m (£1.84m) and earnings increased to 7.9p (2.1p) per share.

Grampian Hlds flat at £3.8m

By Jane Fuller

CONTINUED LOSSES in retailing and a dive in Australian demand for sheep dip limited the pre-tax profit increase at Grampian Holdings, the Glasgow-based mini-conglomerate, to less than 3 per cent in the first half of the year.

The taxable figure advanced to £3.82m (£3.72m) on turnover up 18 per cent to £67.84m (£57.24m), helped by acquisition of a new subsidiary, the profit figure contributed to a 7p fall in the share price to 116p.

Mr Bill Hughes, chairman and chief executive, said the retail business had seen a 63 per cent turnover increase, but had lost £244,000, similar to the previous interim figure. The tourism-related mill shops usually lost money in the first half. Savings were being made as the James Pringle acquisition was integrated.

Since the Gulf crisis, the main focus of concern had been the group's transport division, where taxable profits slipped to £1.25m (£1.47m) after cost increases.

To deal with the fuel price rise, Mr Hughes said that any increase above 25p per litre (up to 3p more so far) was being passed on to customers

on a weekly basis. The volume of business remained strong because of the buoyant Scottish economy.

The biggest contributor to turnover at £24.81m (£21.74m) was sports goods, while pre-tax profits advanced to £1.26m (£1.03m). For Mitre soccer boots and balls, the third quarter was the most important and orders had proved strong. In golf gear, Ben Sayers had done less well in the south of England.

Patrick, the French soccer goods subsidiary bought from the receiver three years ago, had recovered to break-even. Mr David McGibbon, finance director, said Grampian had gained full ownership rights until last autumn, delaying cuts which had now been made.

Again the biggest profit contributor was animal pharmaceuticals, which made £2.38m (£2.05m) on sales of £15.44m (£13.65m). Mr Hughes said that although "the sheep market was in a mess in Australia" the UK business had improved profit by 18 per cent.

Interest charges had risen from about £1.25m to £1.75m, said Mr McGibbon. Gearing was expected to be about 40

per cent in December. Earnings per share were flat at 4p (4.07p).

The interim dividend goes up to 1.5p (1.3p).

COMMENT

Apart from the Australian sheep shock, there was some reassurance on the outlook, with animal pharmaceuticals in the UK remaining the star performer. In transport, it is apparently proving easier to pass on costs when the customer knows there is a crisis than it was when the upward pressure came merely from the Budget. On the sporting side, the Patrick problem seems at last to have been sorted out. At the mill shops, the trouble was seasonal rather than fundamental, although demand was weak in August and early September. The full-year pre-tax profit is forecast to rise to between £13.5m and £14m (£12m), giving a prospective pie of just over 8. The stock used to be fashionable and traded at a considerable premium, now it is at a discount. With the share price falling to less than half its 1989 high, the stock may now be worth buying, although little progress is expected in the short term.

CATALONIA

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- Profit before interest up 24.0 per cent.
- Profit before tax up 9.3 per cent.
- Earnings per share up 9.3 per cent.

Highlights from the unaudited statement

£ million	Six months to 31st July 1990	1989	Year to 4th February 1990
Turnover	55.3	38.8	83.7
Profit before interest	4.5	3.7	7.9
Profit before tax	3.4	3.1	6.4
Earnings per share	8.0p	6.5p	11.5p
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COMMODITIES AND AGRICULTURE

Soviet boost predicted for European mining

By Kenneth Gooding, Mining Correspondent

A NEW European mining industry - accounting for about a third of total world output of most minerals - will emerge as operations in western and eastern Europe and the Soviet Union gradually merge, it was suggested yesterday.

The process might be hastened by the Soviet Union's shortage of capital to buy urgently-needed mining technology and to replace outdated equipment, Mr Magnus Ericsson of the Stockholm-based Raw Materials Group consultancy organisation said at a seminar in London.

This might force the Soviet and other eastern European governments to sell parts of their mining industries, particularly to get the capital for the introduction of less-polluting technology.

Mr Ericsson added: "Technology is the oldest field of east-west co-operation, hence it

is an area in which there is considerable experience on both sides."

These moves would diminish state control and pave the way for increasing influence by western companies and, finally, for direct foreign control over the Soviet and eastern European mineral resource.

Speaking at a seminar organised by the Metal Mining Agency of Japan, Mr Ericsson suggested that companies that had a history of dealing with the Soviet Union, and had personal contacts, would have an advantage and would soon be in a position to negotiate novel deals with the Soviet and other eastern European governments.

These were mainly European companies such as Outokumpu of Finland, Boliden of Sweden, Metallgesellschaft of Germany and Pechniney of France.

Mr Ericsson pointed out that the Soviet Union was the world's leading producer of iron ore, lead, nickel, manganese and potash and had a strong position in chromite, copper, gold, diamonds, platinum group metals and zinc. However, in recent years there had been an unplanned fall in metals demand and pollution was causing serious ecological disturbances.

Moreover, an increasing proportion of the Soviet mine output was coming from Siberia which had a severe climate and was very remote, creating huge production and transport problems.

It was not possible to estimate the time it might take for the Soviet Union to transform its economy but "probably" problems would not be so severe as after the 1917 revolution which resulted in mineral production coming virtually to a halt in the early 1920s.

Canada caught in grain war cross-fire

Barbara Durr on the struggle to stay near the top of the world export league

MR RICHARD Klassen is an angry and determined man. One of five commissioners of the Canadian Wheat Board, Mr Klassen says that the US-European trade war on grains "is squeezing the hell out of us. But we will not be pushed out of the marketplace."

The board, based in Winnipeg, is the monopoly producer-owned marketing organisation for Canadian wheat. It recommends a wheat floor price based on its market analysis each year. The government usually approves the recommendation, which runs some 20 per cent below actual prices.

If the world price drops below the floor price a deficit payment from the government is made to the board and distributed to farmers on a pro-rata basis. But, says Mr Klassen, since 1950 deficit payments have amounted to less than half of 1 per cent of gross sales, and most of that sum has come since 1985 because of the trade war. But this year, with bumper crops around the world depressing prices, the outlook is worse.

After the worst drought in Canadian history two years ago, prairie wheat farmers will haul in their second largest harvest ever, 25m-26m tonnes.

	NETFARM INCOME (million C\$)			
	1980	1989	1988	5-year average
Manitoba	241.2	295.3	364.1	361.8
Saskatchewan	246.7	760.5	1,022.5	788
Alberta	545.8	792.6	906	591.5
Total Prairies	1,033.7	1,858.4	2,292.6	1,746.4

Source: Statistics Canada

But that is giving them little to cheer about. They will receive an estimated 25 per cent less for their 1990 crop than they did for a crop of almost the same size and quality in 1981.

International buyers have been hanging back to see how low the price will fall before they purchase. And Canada was especially hard hit by the embargo on sales to Iraq, a big customer.

The entry of the Soviets into the world market last week and their reported purchase of 4m tonnes of Canadian wheat will help, but farmers in Canada's three vast western provinces known as the prairies, are still looking at losses.

This year net farm income from the prairies is expected to drop by more than C\$800m (C\$350m) - down 44 per cent from last year and 40 per cent from the previous five year average, according to calculations by Prairie Pools, the policy and lobby organisation of

Canada's three western farmer co-operatives, the Alberta Wheat Pools, the Saskatchewan Wheat Pool and the Manitoba Pool Elevators. "Our farmers are suffering," says Mr Klassen.

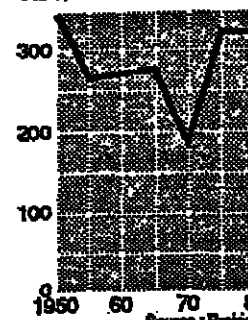
Saskatchewan, the least diversified of the three prairie provinces, will be hit the hardest. It produces about half of the west's grains, but net farm income there is expected to fall 68 per cent. The province, which has been steadily losing population, has seen property prices fall a disastrous 60 per cent in the last eight years, said Mr Garf Stevenson, president of the Saskatchewan Wheat Pool. Now he thinks more people will try to sell, depressing prices further.

Given that farmers have traditionally used the sale of their farms as pensions, the collapse of land prices in Saskatchewan is becoming a major social concern, according to Mr Harold Bjarnason, an associate deputy minister of agriculture.

Canadian Wheat

Price adjusted for inflation

Can.\$/tonne



Source: Prairie Pools Inc.

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The government has reluctantly footed the bill for deficiency payments in recent years in order to maintain the viability of Canada's grain farmers, agriculture ministry officials say. They are also unwilling to tolerate any further slippage in market share for Canada. The country has already been bumped by Europe from number two to number three in the grain exporting league after the US.

Canada does not have the kind of treasury that permits it to join the subsidy war, however. Thus, with a small domestic market of just 20m people, Canada must export even if it hurts. Generally, it ships abroad some 90 per cent of its durum wheat and 80 per cent of its red wheat, for example.

Canada is hoping that this month's final negotiations of the Uruguay Round of the General Agreement on Tariffs and Trade will at last yield an agreement on agricultural policies and end the US-EC dispute.

Mr Klassen for one believes that, left to market forces alone, Canada's prairie farmers will be tough competition for their subsidy-coddled brethren in the US or Europe. "We have a premium product. We have a competitive and we will be," he pledges.

Silver tumbles to 13-year low

By David Blackwell

SILVER TUMBLED to the lowest level in nominal terms for 13 years on the London bullion market yesterday, closing at 454 cents a troy ounce, a fall of 14 cents.

At midday yesterday the nearby October silver futures contract on New York's Commodity Exchange (Comex) was only just holding above 450 cents an ounce.

Ms Rhona O'Connell, precious metals analyst with Shearson Lehman Brothers, said the political tension of the Gulf crisis, which was buoying gold, was putting pressure on both silver and platinum, which were increasingly seen as industrial metals.

Mr Andy Smith, precious metals analyst with UBS Phil-

lips & Drew, said the Gulf shock was recessionary, not inflationary, guaranteeing that silver would underperform gold.

Gold held above \$390 a troy ounce yesterday. The gold/silver price ratio has now widened to more than 83:1, compared with 35:1 in 1977 and 30:1 in 1972.

Analysts of Middle Eastern selling in the silver market yesterday were enough to push prices down sharply. Ms O'Connell said silver had now fallen by 13 per cent since the beginning of August, when Iraq invaded Kuwait.

Silver is in abundant supply. Stocks on Comex are 8,076 tonnes; this is equivalent to about half of Western annual

offtake and a rise on the year so far of 580 tonnes, equivalent to production from Chile, the world's fifth biggest producer.

Ms O'Connell estimates that since 1982 silver supplies have been 21,000 tonnes above industrial offtake, which is around 16,000 tonnes a year.

Around 60 per cent of silver is mined as a by-product of lead, zinc, copper and gold, so the cost of production is virtually nil.

Ms O'Connell believes there will be some support at 450 cents a fine ounce. Mr Smith believes the market could go lower, a floor will probably be found when all the evidence suggests that the US is in recession.

Falklands fish talks 'advancing'

By John Barham in Buenos Aires

MR TRISTAN Garel-Jones, foreign office junior minister, said yesterday that talks between Argentina and Britain over control of fish stocks in the south Atlantic were advancing well.

After ending an official visit to Argentina yesterday he said: "We expect to reach agreement because we both have a common interest in the last unregulated fishing zone left in the world." Argentine officials agreed with Britain on the need to replace existing voluntary agreements with other countries fishing in the region with a "properly regulated regime" involving Britain and Argentina, he added.

Britain and Argentina re-established diplomatic relations in July, eight years after fighting over the Falkland Islands in 1982. Negotiations over fishing in the south Atlantic have important diplomatic ramifications since they imply recognition by Argentina of Britain's control of the Falklands.

Officials from both sides held technical talks on conservation of stocks in the waters surrounding the Falkland Islands during Mr Garel-Jones's visit. Further technical talks are planned for next month. In September, British and Argentine officials met for two days in Rio de Janeiro to discuss

fishing controls.

Foremost on the agenda are controls on catching the South Atlantic's abundant stocks of illex squid, a highly prized delicacy in Asian markets. Mr Garel-Jones said a new regime could be in place by February, when the season resumes for catching illex. He said the regime would replace "unsatisfactory" bilateral voluntary agreements that Britain has established with countries fishing in the Falklands waters.

However, the minister refused to draw on the details of a future accord, such as the possibility of joint enforcement by British and Argentine coast guards.

EC sale deals blow to Uruguay's beef exporters

Producers fear they have been priced out of the Brazilian market, says Leslie Crawford

BRAZIL'S DECISION to buy 80,000 tonnes of surplus beef from the European Community has dealt a cruel blow to Uruguay's beef exporters.

The price Brazil has reportedly paid, \$1,200 a tonne, is 30 per cent cheaper than Uruguayan beef, and local producers now fear they have been priced out of the Brazilian market. They were relying on exporting a third of their total produce, about 50,000 tonnes, to Brazil this year, but they no longer know whether the orders will materialise.

"We cannot possibly compete with these kind of subsidies," Congressman Wilson Sanabria, said recently in Montevideo. "It is crazy that the EC should be able to sell beef cheaper than us when Brazil is on our doorstep."

Not surprisingly, Uruguay is one of the strongest advocates of the elimination of all farm subsidies in the current round of talks on the General Agreement on Tariffs and Trade. It is a member of the Cairns Group of agricultural nations that is negotiating on the issue.

The sale of EC surplus beef to Brazil is a classic example of how subsidies distort free trade and harm small countries like Uruguay, which relies on beef

and wool account for more than two thirds of its exports. Brazil has traditionally been Uruguay's biggest customer for beef, but exports fluctuate according to its neighbour's economic fortunes. "When things are going well for the Brazilians, the first thing that rises is the demand for meat," says Mr Enrique Gasparri, secretary of Uruguay's Rural Association. "But when the wages fall, so do our exports."

Uruguay's lamb exports, a small but growing sector, have also been hit hard by the UN-

sponsored commercial embargo against Iraq. Bagged normally buys 50-60 per cent of Uruguay's annual production of 25,000 tonnes, and lamb exporters are now urgently seeking alternative customers just as the slaughtering season is due to begin. Mr Gasparri believes the Soviet Union could be a potential customer.

Uruguay's trade difficulties form part of a country recovering from devastating droughts in 1988 and 1989. The north of the country, which has the richest pastures, was

baked dry. Cattle died of thirst and ranchers were forced to slaughter over 1m head, about 10 per cent of Uruguay's entire herd, in order to cut their losses.

The country also suffers from its failure to develop a modern meat processing industry. Only 10 per cent of its exports are sold in canned form. It cannot sell chilled or frozen beef to the US because of the existence of foot and mouth disease in some parts of the country, but Brazilian meat processing plants, which

have the technology to kill the virus, sell Uruguayan beef to the US in cooked form. Uruguayan beef producers want to modernise and expand the country's meat processing plants, but they argue that the dearth of long-term finance and their heavy tax burden are killing opportunities for investment.

They are lobbying the government of President Luis Alberto Lacalle for tax breaks and soft credits, and for a more aggressive export promotion policy abroad.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices steadied after hitting eight-month lows on the LME in the afternoon. A bearish chart trend remains intact but the market is likely to remain vulnerable over the short term to further pressure from technical tightness and options-related business, traders said. At midday Comex copper prices were slightly ahead. Lead on the LME was steadier after Tuesday's sharp fall. Traders said the market was trying to stabilise after the sharp losses of the past two days and was helped by chart support on any dip towards \$280 or \$290 a tonne. A move below those levels would break the longer-term

uptrend and signal fresh selling and liquidation orders. Tin prices closed sharply down on stale bull and consumer liquidation and producer linked selling. Nickel also fell, as commission house liquidation and influential merchant selling developed on a market which some analysts expect to re-test the recent 12-week low of \$8,800 a tonne for three-month metal. On the BFE dry freight futures were higher by the close. Sentiment was further buoyed by continued market talk of Soviet and Far Eastern grain purchasing interest.

Compiled from Reuters

London Markets

SPOT MARKETS	
Cash oil (per barrel FOB)	+ or -
Brent Blend (dated)	\$28.00-0.10 -0.05
Brent Blend (November)	\$28.00-0.10 -0.05
WTI (1st cut)	\$28.00-0.10 -0.05
Oil products	
OWS prompt delivery per tonne (CF)	+ or -
Premium Gasoline	\$34.42 +2.5
Gas Oil	\$34.47 -11.5
Heavy Fuel Oil	\$14.35 -3.0
Naphtha	\$28.00 -3.0
Petroleum Argus Estimates	
Other	+ or -
Gold (per troy oz)	\$391.25 -4.75
Silver (per troy oz)	\$454 -1.4
Platinum (per troy oz)	\$442.25 -3.75
Palladium (per troy oz)	\$593.75 -1.25
Aluminium (five months)	
Alumina (US Producer)	\$202.5
Lead (US Producer)	\$134.00 -4
Nickel (US Producer)	\$80 -10
Tin (Kuala Lumpur market)	\$18.00 -0.34
Tin (New York)	\$26.50 -4
Zinc (US Prime Western)	\$73 -1.80
Cash (live weight)	\$10.14 +1.80
Sheep (dead weight)	\$13.07 +12.8
Pigs (live weight)	\$73.50 -0.51
London daily sugar (raw)	
London daily sugar (white)	\$228.00 -5.0
Tate and Lyle contract price	\$242.00 -3.0
Barley (English feed)	
Main (US No 3 yellow)	\$115.00
Wheat (US Dark Northern)	\$30
Rubber (Nov/Dec)	\$0.75 +0.25
Rubber (Dec/Jan)	\$0.75 +0.25
Rubber (Jan/Feb)	\$0.75 +0.25
Cocoa (US Philadelphia)	
Cocoa (US Philadelphia)	\$1800 -2.5
Cocoa (Philippines)	\$1450
Cocoa (A) index	\$1.50 -0.05
Wool (US Super)	\$18.00
2 a tonne unless otherwise stated. p=parcels, c=cent, f=fine, g=gross, h=half, l=long, m=medium, n=normal, o=old, u=used, v=very, w=week, x=extra, y=year, z=zero.	
Most Commission average lastest price.	
change from a week ago. *London physical market, *SCF Rotterdam, *Bullion market, *Metallgesellschaft.	

COCA - London POX	
Cash	Previous High/Low
Dec 874	893 894 895
Mar 712	721 722 723
May 738	741 742 743
Jul 752	753 754 755
Sep 778	779 780 781
Nov 802	803 804 805
Dec 826	827 828 829
Mar 850	851 852 853
May 874	875 876 877
Jul 898	899 900 901
Sep 922	923 924 925
Nov 946	947 948 949
Dec 970	971 972 973
Mar 994	995 996 997
May 1018	1019 1020 1021
Jul 1042	1043 1044 1045
Sep 1066	1067 1068 1069
Nov 1090	1091 1092 1093
Dec 1114	1115 1116 1117
Mar 1138	1139 1140 1141
May 1162	1163

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MOTORS, AIRCRAFT, TRADES

1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595
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Toll Charge	Cash Price	Bid Price	Offer + or - Price - Gr's	Yield

	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990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Company Fund Name	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1999	1998	1997	1996	1995	1994	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HISTORIC PRICING: The letter H disassembled the managers will normally deal on the price not on the most recent valuation. The prices shown are the initial available before publication and may not be the current buying levels because of an intervening portfolio reallocation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the management date of the price is not set or the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained from the charge sheet and management.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Rumours move nervous dollar

THE DOLLAR recorded small mixed changes in nervous trading yesterday. It improved against the D-Mark and sterling but fell to ¥130 against the Japanese yen.

A firmer tone to Eurodollar rates provided support, as rising oil prices led to suggestions that the US Federal Reserve may hold back from easing its monetary stance. Sentiment points towards a lowering of US interest rates, but oil prices above \$40 a barrel have added another factor to the argument that the Fed will wait, at least until the process of settling the US budget is complete.

Lack of fresh economic factors moved the Middle East situation back into the spotlight amid rumours that US troops had entered Kuwait and Iraq, and that Iraqi President Saddam Hussein had been overthrown or assassinated. Suggestions of military action by the US were quickly denied by the Pentagon, while the US State Department said it had no news about Mr. Saddam and described the rumours as "another financial market panic". These provided further support for the dollar.

The dollar flirted with a technical resistance point at

DM1.5330, rising to a peak of DM1.5400, but also tested support at DM1.5200, before closing in London at DM1.5280 against DM1.5255 on Tuesday. It also rose to FF5.1150 from FF5.1050, but was unchanged at SF1.7370 and fell to ¥130.00 from ¥130.50, after touching a low of ¥129.70. On Bank of England figures the dollar's index fell to 93.5 from 93.9.

Sterling showed a similar pattern of movement to the dollar, improving slightly against several of its new partners in the European Monetary System exchange rate mechanism, but losing ground to the yen.

The pound rose to DM3.0075 from DM3.0050 and to

FF20.0075 from FF20.0050, but fell to ¥255.75 from ¥256.75 and to SF2.5125 from SF2.5175. It also lost ¼ cent to \$1.9680. Sterling's index climbed 0.1 to 96.2.

Within the ERM the Italian lira remained at the bottom of the system, but was generally stronger after the Bank of Italy drained liquidity from its domestic money market with a reverse repurchase agreement tender. The D-Mark fell to L749.50 from L750.10 in the London market. In Milan the D-Mark was fixed at L749.51, prompting comments from dealers that the Italian authorities are trying to prevent the German currency rising above L750.

Sterling declined to L2,553.75 from L2,554.75 against the lira. This was reflected in the pound's overall performance in the system. Despite rising against most other members, sterling was only 2.12 per cent above its central rate against the lowest ERM currency (the lira) compared with 2.37 per cent on Tuesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Unit	Central rate	Change	% change	% spread	Divergence
Spanish Peseta	133.631	130.012	-3.619	-2.71	3.40	48
Belgian Franc	40.339	40.339	0.000	0.00	0.00	0
French Franc	6.55957	6.55957	0.000	0.00	0.00	0
German Mark	1.936	1.936	0.000	0.00	0.00	0
Italian Lira	2.364	2.364	0.000	0.00	0.00	0
Dutch Guilder	2.364	2.364	0.000	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.000	0.00	0.00	0
Irish Pound	7.87564	7.87564	0.000	0.00	0.00	0
Swedish Krona	1.346	1.346	0.000	0.00	0.00	0
Japanese Yen	100.000	100.000	0.000	0.00	0.00	0

Unit rates set by the European Commission. Centres are in descending order of strength. Percentage changes are for 100% of the unit. Changes shown are the daily changes. The percentage spread is the difference between the actual market and the central rate for a currency, and the maximum permitted adjustment calculated by the Commission.

POUND SPOT - FORWARD AGAINST THE POUND

	Spot	1 month	3 months	6 months	12 months
US Dollar	1.9680	1.9680	1.9680	1.9680	1.9680
DM	3.0075	3.0075	3.0075	3.0075	3.0075
FF	20.0075	20.0075	20.0075	20.0075	20.0075
¥	255.75	255.75	255.75	255.75	255.75
SF	2.5125	2.5125	2.5125	2.5125	2.5125
ITL	2.364	2.364	2.364	2.364	2.364
ESP	166.639	166.639	166.639	166.639	166.639
DKK	13.46	13.46	13.46	13.46	13.46
SEK	13.46	13.46	13.46	13.46	13.46
NOK	13.46	13.46	13.46	13.46	13.46
JPY	130.00	130.00	130.00	130.00	130.00

Commercial rates taken towards the end of London trading. Six-month forward rate 4.79-4.79p. 12 month 8.32-8.32p.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	Spot	1 month	3 months	6 months	12 months
DM	3.0075	3.0075	3.0075	3.0075	3.0075
FF	20.0075	20.0075	20.0075	20.0075	20.0075
¥	255.75	255.75	255.75	255.75	255.75
SF	2.5125	2.5125	2.5125	2.5125	2.5125
ITL	2.364	2.364	2.364	2.364	2.364
ESP	166.639	166.639	166.639	166.639	166.639
DKK	13.46	13.46	13.46	13.46	13.46
SEK	13.46	13.46	13.46	13.46	13.46
NOK	13.46	13.46	13.46	13.46	13.46
JPY	130.00	130.00	130.00	130.00	130.00

Commercial rates taken towards the end of London trading. Six-month forward rate 4.79-4.79p. 12 month 8.32-8.32p.

EURO-CURRENCY INTEREST RATES

	3 months	6 months	12 months	18 months	24 months
DM	5.50	5.50	5.50	5.50	5.50
FF	5.50	5.50	5.50	5.50	5.50
¥	5.50	5.50	5.50	5.50	5.50
SF	5.50	5.50	5.50	5.50	5.50
ITL	5.50	5.50	5.50	5.50	5.50
ESP	5.50	5.50	5.50	5.50	5.50
DKK	5.50	5.50	5.50	5.50	5.50
SEK	5.50	5.50	5.50	5.50	5.50
NOK	5.50	5.50	5.50	5.50	5.50
JPY	5.50	5.50	5.50	5.50	5.50

Long term Eurodollar rates (over 12 months) are shown in italics. 1 UK, Ireland and ECU are quoted in US currency. Forward rates and discounts apply to the US dollar and not to the individual currency.

OTHER CURRENCIES

	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6
Australian Dollar	0.72510	0.72510	0.72510	0.72510	0.72510
Canadian Dollar	0.72510	0.72510	0.72510	0.72510	0.72510
Swedish Krona	13.46	13.46	13.46	13.46	13.46
Japanese Yen	130.00	130.00	130.00	130.00	130.00
South African Rand	13.46	13.46	13.46	13.46	13.46
Israeli Sheqel	13.46	13.46	13.46	13.46	13.46
Indian Rupee	13.46	13.46	13.46	13.46	13.46
Thai Baht	13.46	13.46	13.46	13.46	13.46
Philippine Peso	13.46	13.46	13.46	13.46	13.46
Malaysian Ringgit	13.46	13.46	13.46	13.46	13.46
Singapore Dollar	13.46	13.46	13.46	13.46	13.46
Hong Kong Dollar	13.46	13.46	13.46	13.46	13.46
Chinese Yuan	13.46	13.46	13.46	13.46	13.46
South Korean Won	13.46	13.46	13.46	13.46	13.46
Indonesian Rupiah	13.46	13.46	13.46	13.46	13.46
Thai Baht	13.46	13.46	13.46	13.46	13.46
Philippine Peso	13.46	13.46	13.46	13.46	13.46
Malaysian Ringgit	13.46	13.46	13.46	13.46	13.46
Singapore Dollar	13.46	13.46	13.46	13.46	13.46
Chinese Yuan	13.46	13.46	13.46	13.46	13.46
South Korean Won	13.46	13.46	13.46	13.46	13.46
Indonesian Rupiah	13.46	13.46	13.46	13.46	13.46

Source: Reuters. All rates are for 100% of the unit. Forward rates and discounts apply to the US dollar and not to the individual currency.

FINANCIAL FUTURES AND OPTIONS

	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6
US Treasury Bond	115.00	115.00	115.00	115.00	115.00
US Treasury Note	115.00	115.00	115.00	115.00	115.00
US Treasury Bill	115.00	115.00	115.00	115.00	115.00
US Treasury Inflation	115.00	115.00	115.00	115.00	115.00
US Treasury Money	115.00	115.00	115.00	115.00	115.00
US Treasury Cash	115.00	115.00	115.00	115.00	115.00
US Treasury Bond	115.00	115.00	115.00	115.00	115.00
US Treasury Note	115.00	115.00	115.00	115.00	115.00
US Treasury Bill	115.00	115.00	115.00	115.00	115.00
US Treasury Inflation	115.00	115.00	115.00	115.00	115.00
US Treasury Money	115.00	115.00	115.00	115.00	115.00
US Treasury Cash	115.00	115.00	115.00	115.00	115.00

Source: Reuters. All rates are for 100% of the unit. Forward rates and discounts apply to the US dollar and not to the individual currency.

LONDON (LIFED)

Source: Reuters. All rates are for 100% of the unit. Forward rates and discounts apply to the US dollar and not to the individual currency.

CHICAGO

Source: Reuters. All rates are for 100% of the unit. Forward rates and discounts apply to the US dollar and not to the individual currency.

NEW YORK

Source: Reuters. All rates are for 100% of the unit. Forward rates and discounts apply to the US dollar and not to the individual currency.

STOCKS

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BONDS

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COMMODITIES

Source: Reuters. All rates are for 100% of the unit. Forward rates and discounts apply to the US dollar and not to the individual currency.

CURRENCY

Source: Reuters. All rates are for 100% of the unit. Forward rates and discounts apply to the US dollar and not to the individual currency.

FUTURES

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Tel 0932 763444

NYSE COMPOSITE PRICES

12 Month High Low Stock Div. Yld. E 100/high Low Close Prev. Month Close 12 Month High Low Stock Div. Yld. E 100/high Low Close Prev. Month Close 12 Month High Low Stock Div. Yld. E 100/high Low Close Prev. Month Close

250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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[illegible]**NASDAQ NATIONAL MARKET**

Sum prices October 12

[illegible]

AMEX COMPOSITE PRICES

3pm prices
October 10[illegible]

COMPUTER NETWORKING

**The Financial Times
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20 NOVEMBER 1990

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Latest prices were unavailable for this edition. Austrian prices were unavailable Oct 8.